Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Dhs0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	SL125.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rlo4.25	Thailand	Bht50
Germany	DM2.30	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,570 Wednesday June 22 1988 D 8523 A

South Korea: Foreign bankers get a bumpy ride, Page 22

World News

China shift raises hopes of peace in Kampuchea

China has shifted its position on the composition of a coalition government in Kampuchea and has substantially softened its support for the Khmer Rouge, raising hopes of an end to the 9-year-old war in Kampuchea and the Vietnamese occupation of the country. Page 22

Sikh bomb kills 15

A powerful bomb believed to be planted by Sikh extremists exploded in a crowded Hindu market near the sacred Golden Temple, killing 15 people and injuring 45 others.

Botswana arrests

Security forces in Botswana arrested two white South Africans after a gun battle near the border. Botswana said commandos planned to raid the capital Gaborone. Page 3

Curfew in Rangoon

Burmese authorities imposed a dusk-to-dawn curfew for the next two months in Rangoon after six people were killed in riots in the capital. Page 3

Iranian rebel claims

Iranian rebels claimed they killed or wounded 8,000 Iranian soldiers in three days of fighting and said they had captured the border town of Mehran.

Namibia mines shut

The largest diamond and uranium mines in the South African-ruled territory of Namibia remained closed as blacks held a two-day general strike protesting against security force policies.

ESA plans launches

The European Space Agency said it will launch five more rockets carrying commercial payloads into orbit before the end of the year, including the second launch of the Ariane-4.

Polisario claim attacks

Polisario guerrillas fighting Morocco in the Western Sahara said they killed nine Moroccans in an attack on a lookout post in the north of the disputed region.

Tatar resettlement

The Communist Party chief of Soviet Crimea ruled out mass resettlement of Crimean Tatars in their homeland, from which they were deported by Josef Stalin 44 years ago.

Israeli shots wound two

Israeli gunfire wounded two Arabs, including a 10-year-old boy shot by an Israeli civilian. The incidents came after Defence Minister Yitzhak Rabin defended encouraging civilians to open fire on Arabs armed with firebombs.

PCI elects leader

The Italian Communist Party (PCI) elected Mr Achille Occhetto as its new leader by an almost unanimous vote of its central committee. Page 2

Joint force for the Gulf

Britain, the Netherlands and Belgium are close to agreement on forming an integrated minesweeping force in the Gulf under British command. Page 3

Alitalia pilots strike

The Italian state airline Alitalia cancelled most of its flights after pilots called a 24-hour strike to protest against engaging a private charter company to bypass a pilots' strike on Alitalia's Rome-New York route.

Rain dance on the plain

A Sioux medicine man prayed and put hot coal his mouth as he conducted American Indian rites to hring rain to the Midwestern community of Clyde, now in its third month of drought. In Washington, ths Senate Agriculture Committee said the administration was not acting fast enough to provide drought relief aid.

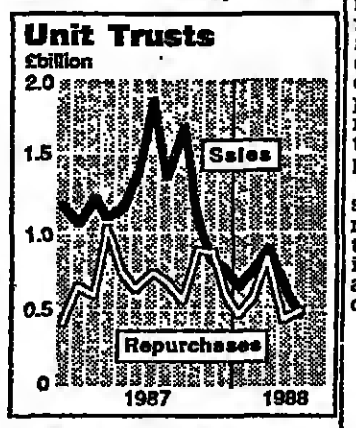
Business Summary

UK group wins Murray with $224m agreed offer

TOMKINS, UK industrial holdings company, emerged as a white knight in the battle for control of Murray Ohio Manufacturing, US maker of lawnmowers and bicycles which has fought a protracted battle to stay free of Electrolux of Sweden. Tomkins made a $224m agreed tender offer for Murray. Page 23; Lex, Page 22

CARL ICAHN, New York investor, conceded defeat in his struggle for control of Texaco when Kohlberg Kravis Roberts, Wall Street investment firm which had the right to vote a crucial 4.9 per cent block of Texaco stock, said it voted its 12m shares in favour of board nominees put forward by Texaco's management.

UK UNIT TRUSTS remain in the doldrums as investors remain shy of stock market related investments after last October's crash. There was a net disinvestment in units in May of £9.5m.



Gross sales of units during the month amounted to just £486.9m – about £135m lower than sales in April and two-fifths of unit sales in May of last year, when the investment boom was at its height. Page 8

LONDON: Demand for international favourites such as ICI, Glaxo and Unilever provided a bit of excitement in an otherwise boring market. The FT-SE 100 index climbed 16.1 to 1,860.1. Page 40

TOKYO: Worries about the likelihood of higher interest rates in West Germany lingered and share prices fell sharply for the second day running. The Nikkei average ended 213.46 lower at 27,925.57. Page 44

WALL STREET: At 2pm the Dow Jones industrial average was down 2.32 at 2081.61. Page 44

DOLLAR closed in London at DM1.7575 (DM1.7600), Y126.45 (Y126.20), SFr1.4625 (unchanged), FFr5.9800 (unchanged). Page 33

STERLING closed in London at $1.7855 ($1.7845), DM3.1375 (DM3.1400), Y225.75 (Y225.25), SFr2.6125 (SFr2.6100), FFr10.5875 (FFr10.5850). Page 33

PILLSBURY, $6.1bn-sales US food group which is in management turmoil, is on target for a record year, its temporary chairman said. Page 23

PRIMA IMOBILIARIA, Spanish property company controlled by the Kuwait Investment Office, is to float about one-third of its equity on the Madrid stock market in July. Page 25

OMNI HOTELS chain in the US is to be bought by companies controlled by Sir Yue-Kong Pao, Hong Kong shipping and property magnate, from Aer Lingus, Ireland's national airline, for $135m. Page 24

INTERNATIONAL Business Machines, world's largest computer group, launched six mid-range computers aimed at reaching 200,000 users to shore up its sagging profitability. Page 23

MITSUBISHI Motors, Japan's fifth largest car maker, is considering setting up a European production plant before the unification of European markets in 1992. Page 5

INTERNATIONAL Air Transport Association's 171 mamber airlines increased their traffic in the first three months of this year by 13 per cent to 41.5m passengers. Page 5

US AND EC STRUGGLE TO REACH COMPROMISE

Summit optimistic despite farm and trade stalemate

BY PHILIP STEPHENS AND DAVID OWEN IN TORONTO

WESTERN leaders yesterday said they were optimistic but not complacent about the world economic outlook at the end of an uneventful and unexciting three-day summit in Toronto.

But the communique released by the seven heads of state and government failed to make any significant progress in negotiations to reduce farm subsidies or to accelerate wider trade negotiations in the General Agreement on Tariffs and Trade.

Longstanding differences between the US and the European Community, which threatened to mar the closing hours of the summit, were resolved with some tortuous drafting which allowed both sides to claim they had stood their ground.

The US, however, was forced to drop its demand that the seven agree a radical plan to eliminate all subsidies eventually.

The carefully-orchestrated harmony, designed to underpin the recent calm on world financial markets, yielded only two firm decisions - a framework accord to offer debt relief to the world's poorest nations and an agreement to add commodity prices to the economic indicators used in policy coordination.

A separate annex to the final statement includes a loose commitment by the seven to widen the scope of their joint monitoring of national policies to include a wide range of micro-economic or structural measures ranging from labour market deregulation and tax rates to education and training.

The communique, echoing the low-key tone of the summit's political declarations on East-West relations, drugs and terrorism, renewed the seven's pledge to promote exchange rate stability. "A further decline in the dollar, or a rise in the dollar to an extent that it becomes destabilising to the adjustment process could be counterproductive by damaging growth prospects in the world economy." However the wording masked considerable uncertainties about how governments should respond to the dollar's latest rise.

Officials said the US appeared content with the dollar's recent rise, because of the cushion it provided in the run-up to the November presidential election. West Germany and Japan, however, were concerned that if the US currency strengthened further it would delay further adjustment of international trade imbalances.

Britain was anxious that the dollar's strength should not undermine its efforts to stabilise the pound's value against the D-mark.

There was also private disquiet about the West German Bundesbank's decision to raise interest rates, despite public statements that the move was in line with its commitments to other members of the Group of Seven. Mr Gerhard Stoltenberg, the West German Finance Minister was said to have been disappointed by the timing of the rise.

US officials indicated that while they had not lodged strong objections to yesterday's move, they had made it clear that it should not mark the beginning of a new trend. In particular, Washington appears anxious to head off the possibility of a generalised rise in world borrowing costs.

Japan offered assurances that it had no immediate plans to tighten monetary policy, but there is concern that upward pressure on inflation and interest rates will intensify if Japan's economy continues to expand at its present rate.

The framework accord to step up assistance to the world's poorest, heavily-indebted nations, particularly in sub-Saharan Africa, provides for creditor nations to choose from a menu of options offering debt relief. The main options are interest rate subsidies, debt write-offs and lengthening of maturities. However, several difficult issues are still to be resolved in the Paris Club of Western creditors.

The two commodity price indicators adopted by the seven will be used to monitor worldwide inflationary trends. Several governments insisted that they would not serve as automatic triggers for monetary policy. One of the indicators has a 50 per cent weight for oil and 5 per cent for gold, while the other excludes oil and has a 10 per cent wieght for gold.

On agriculture, the seven deferred any substantive decisions to negotiators preparing for December's mid-term review of the Uruguay Round of trade talks in Montreal. They emphasised the importance of continued political impetus to advance the process of agricultural trade reform and underpin "politically difficult" efforts at domestic policy reform.

However, the inclusion of reference to "short-term options" in the context of an overall framework provided some satisfaction for the European Community, while mention of "long-term goals" gave similar succour to the US position.

The countries also advocated the development of ways to take account of food security and social concerns.

INSIDE

- Leaders hail growth but urge greater co-operation
- Thatcher strives for the Reagan mantle
- European Community earns its crust at the top table
- Hijack accord 'must be strengthened'

Page 4

Bundesbank lifts key interest rate

BY ANDREW FISHER IN FRANKFURT AND SIMON HOLBERTON IN LONDON

THE BUNDESBANK, the West German central bank, yesterday increased a key interest rate in a move to damp down inflation and rein in money supply growth, a decision which economists expect to be followed in a few months by further rises in line with international monetary trends.

In London, however, the Bank of England resisted market pressure for a rise in interest rates when it conducted its morning market operations. Economists expected a rise in UK borrowing costs soon and market rates continued to point to 9 per cent base rates.

The Bundesbank raised the rate on securities repurchase ("repo") agreements, a method of commercial bank refinancing using securities as collateral, from 3.25 to 3.50 per cent yesterday morning. Its action came as no surprise to foreign exchange, money and stock markets, since it had been leaked ahead of time.

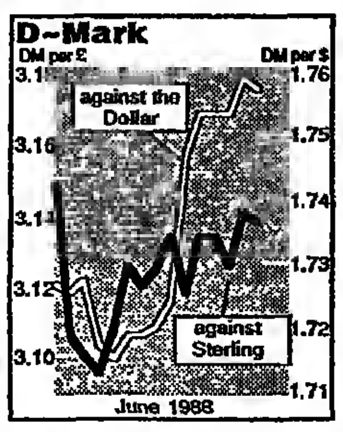
The dollar remained firm against the D-Mark, despite modest intervention by the Bundesbank to back up its higher interest rates, and closed in London marginally lower compared with Monday's close. The bank's latest weekly report of its operations in foreign exchange and money markets showed that it had sold $4.2bn since late May until June 15.

The weakness of the D-Mark was one of the reasons behind the bank's decision to put rates up. It is concerned that a weak D-Mark will increase import prices which could accelerate inflation, now only 1 per cent.

West German money market rates had already moved up ahead of the repo rate, now a more important means of controlling the market than the 2.5 per cent discount rate, in which no change is expected.

The Frankfurt stock market closed firmer after easing last week in anticipation of the rate rise. Dealers said the increase in rates was in line with international interest rate trends.

In London, rates for three-month sterling interbank deposits weakened in response the Bank of England's refusal to move rates higher and fell from their high of 9⅝ to end at 9¼. At that level the money market is still discounting a rise in base rates to at least 9 per cent from the current level of 8½ per cent.



The risk of higher inflation in the UK has been underlined by recent economic statistics showing buoyant output growth, strong consumption and rising earnings. Domestic financial markets believe that the Bank will soon act to raise interest rates to choke off these re-emerging inflationary trends.

Sterling proved resilient to the poor first quarter trade figures last week but may prove less so if May's figures show another large rise in the current account deficit. The pound closed 0.1 points firmer at 76.5 on the Bank of England's trade-weighted sterling index.

The dollar closed at DM1.7575 compared with DM1.76 on Monday and at Y126.45 compared with 126.20.

Bundesbank acts to rein back money supply, Page 2

Société Générale rivals hold out prospect of deal in bid battle

BY TIM DICKSON IN BRUSSELS

THE TWO warring shareholder camps in Société Générale de Belgique, Belgium's most powerful holding company, last night unexpectedly revealed they were close to signing a deal.

A carefully-prepared statement read out at yesterday's annual meeting in Brussels raised the prospect of a full agreement by the end of the week between Mr Carlo De Benedetti, the Italian businessman, and the dominant Franco-Belgian alliance led by Compagnie Financière de Snez which beat off his takaovar attempt for La Générale earlier this year.

No details were disclosed but the statement indicated that the accord would cover "the effective management and development" of the company and that "if confirmed" it would be made public on Friday.

La Générale directly influences 20 to 30 per cent of the Belgian economy through stakes in more than 1,200 companies ranging from cement manufacturing and financial services to diamond trading and energy. Mr De Benedetti's assault in Jannary unleashed a storm of controversy and inspired the Franco-Belgian defence.

Even after the Italian's financier's ambition was checked at an extraordinary general meeting in April he and his allies vowed to pursue their aim of turning La Générale into the first genuinely pan-European holding company.

With the two sides evenly poised – Suez and its followers have around 52 per cent of the votes and Mr De Benedetti around 45 per cent – some sort of accord had been inevitable.

Both Suez and Cerus, Mr De Benedetti's Paris-based financial bolding company which spearheaded his bid, invested large sums in the struggle. The growing financial pressures on them have been illustrated hy a series of disposals and capital raising exercises in recent weeks. Few observers, however, thought the stalemate would be broken so quickly.

Yesterday'a meeting, which was poorly attended compared to April's and, without Mr De Benedetti, lacked the bitter exchanges seen tben, was expected to be notable only for the appointment of Mr Hervé de Carmoy to the key post of "executive director."

Mr de Carmoy, formerly head of global banking at Midland Bank, the leading UK bank, had been widely tipped to take over as the new chief executive of La Générale, a post which does not yet exist under the company's present constitution.

Mr De Benedetti and his allies yesterday abstained from voting for Mr Carmoy – saying according to the prepared statement "they would pronounce tbemselves on the nomination of a chief executlve, which would result from the modification of the statutes envisaged by all the parties."

This and the new composition of the board is thought to be one of the issues between the camps which has to be resolved.

Desplte Mr De Benedetti's apparently lukewarm feelings, Mr de Carmoy stressed yesterday that relations between the two men were "positive, warm and constructive."

He said he hoped Mr De Benedetti's indnstrial sxperisnce "could now be tapped for the benefit of the company and all its investments."

Britain acts to confine effects of EC ruling on VAT

By Andrew Taylor in London

THE BRITISH Government moved swiftly yesterday to limit the effects of a European Court of Justice ruling which will require it to charge value added tax on more than £12bn ($21.4bn) of commercial, industrial and pnblic sector construction.

Mr Peter Lilley, Economic Secretary to the Treasury Minister, told Members of Parliament that arrangements to be introduced next year would ensure that most commercial landlords and tenants would be able to recover the cost of the new VAT charges, to be levied at the standard rate of 15 per cent.

The Treasury proposed to forego £265m a year in VAT revenne whicb it would be entitled to raise under the court's rnling. Tbe VAT changes would yield £160m in a full year instead of £425m.

Mr Lilley was responding to yesterday's jndgement by the European Court of Justice which will require Britain to charge VAT on several previously zero-rated goods and services. These include: non-residential construction as well as fuel, power, protective clothing and water and sewerage services supplied to commercial and industrial companies.

Mr Lilley said that there was no appeal against the court's decision which would have to be complied wlth. It wonld require legislation to he brought forward as part of next year's budget. The new charges would take effect in April next year.

They would be mitigated by giving developers and landlords an option to charge VAT on rents and on the sale of used buildings, allowing landlords to recover the VAT that they had paid.

Under this formula most tenants would be able to recover VAT charged on rents unless they operated a tax exempt business such as a bank, pension fund or some other financial institntion. Cbarities would also have no mechanism for recovering the new VAT charges.

VAT charges on rents for partially or fully tax exempt businesses would be phased in over two years and over five years for charities.

MPs on both sides of the Commons, complained that Westminster's authority was being overridden by EC institutions.

Mr Lilley acknowledged this concern but said government

Continued on Page 22

Record loss in US loans and savings sector poses thrift crisis

By Anatole Kaletsky in New York

THE US savings and loan industry suffered a record loss of $3.8bn in the first quarter, suggesting that the financial condition of the country's $1.3 trillion (million million) home mortgage industry continues to deteriorate.

This is despite a massive injection of government-guaranteed funds into hundreds of insolvent thrift institutions, as savings and loan companies are known.

The thrift industry's latest losses, announced yesterday by tbe Federal Home Loan Bank Board, were substantially worse than the losses of $3.2bn for the fourth quarter of 1987 and $6.8bn for last year as a wbole. The industry earned n profit of $100m in the first quarter of 1987.

The breakdown in the industry's results, separating the 2,774 solvent thrifts from the 344 concerns whicb are being allowed to operate despite insolvency, showed a worse deterioration among problem institutions.

The solvent part of the industry managed to earn a profit of $600m, after a loss of $200m in the fourth quarter of 1987. But insolvent thrifts lost $4.4bn, compared with the previous quarter's loss of $3.7bn.

Yesterday's figures added credibility to recent warnings from tbe US government's General Accounting Office and private economists that Congress and the FHLBB had seriously underestimated the scale of the thrift industry's crisis and that the ultimate costs would far exceed the funds available to the government-guaranteed Federal Savings and Loan Insurance Corporation.

The FSLIC is funded by levies on desposits held by insured tbrift institutions, whicb total $1.3 trillion. It has about $20bn of cash and borrowing autbority over the next three years under a thrift industry rescue plan hastily put together last year. It spent more than $3bn in rescuing six small institutions last month.

The FSLIC has put a figure of $22.5bn on the "probable" cost of rescuing 511 thrifts considered insolvent under Generally Accepted Accounting Principles.

Last month, the GAO put the cost of rescuing insolvent thrifts at $26bn to $36bn. Other industry specialists have been raising their estimates from the $50bn range of a few months ago to $70bn or more.

Tbese estimates suggest that US depositary institutions, including commercial banks, present financial problems that could prove far costlier to resolve than the Third World debt crisis.

CONTENTS

CONTRACTS SCRAMBLE SPAWNS A PENTAGON SCANDAL

Ed Meese, US Attorney General, now has the chance to play the toughest law man in the land, Page 4

Kohl faces revolt over tax cut package in Bundestag

BY DAVID MARSH IN BONN

A MODEST backbench revolt against the Bonn government's 1990 tax cuts package is expected when the measures go to the Bundestag (federal assembly) for final passage tomorrow. Some Christian Democrat deputies oppose plans to exempt aviation fuel for private aircraft from value added tax. But the revolt is unlikely to be large enough to jeopardise the tax bill.

The tax package, cutting income tax by a net DM 18.6 bn from January 1 1990 – down from the originally intended DM 20 bn – is a central part of the Government's efforts to secure medium term economic growth.

However, the psychological impact of the 1990 measures has already been undermined by government plans to raise more revenue in 1989 through higher consumer taxes and unemployment benefit levies. This will partly cancel out the income tax reductions.

Ill feeling in Chancellor Helmut Kohl's Christian Democratic Union about the aviation fuel move has added further to the unpopularity of the tax moves. More than a dozen deputies have signalled their readiness to vote against the tax break for private aeroplanes on the grounds that this benefits a small group of wealthy individuals at a time when most people are having to make sacrifices.

A majority of CDU delegates at the party's annual conference in Wiesbaden last week voted against the exemption, which has been steered through by Mr Franz Josef Strauss, chairman of the CDU's sister party, the Bavarian Christian Social Union (CSU). Parliamentary floor leaders of the CDU/CSU in Bonn have indicated however they will ignore the delegates' complaints.

Mr Strauss, a keen amateur pilot, has been trying for four years to bring in the tax exemption, which would give fuel for private aviation the same untaxed status as that for airlines and military flying.

Some members of the liberal Free Democratic Party (FDP), the junior partner in the coalition with the CDU/CSU, are also likely to vote against the tax break on Thursday.

The 1990 package will not become law until it goes before the Bundesrat (federal council), representing the federal states (Länder) on July 8. Its passage there is certain to be affected by insistence by the northern Länder, led by CDU-run Lower Saxony, on concessions from Bonn over the financing of social security programmes.

Bundesbank acts to rein back money supply

Andrew Fisher explains why West Germany was careful to flag the rate increase on securities repurchase agreements

IT WAS A carefully prepared move, calculated to surprise and annoy no-one. Unlike the unseemly dispute of eight months ago, yesterday's raising of the key rate on West German securities repurchase agreements neither raised the hackles of the US authorities nor upset the financial markets.

As expected, the rate went up to 3.5 per cent from the 3.25 per cent at which it had stood since November. The move was designed to dampen nascent inflationary trends and help ease the growth in money supply, now well above target again.

In October last year, anger in Washington over a previous staggered increase to 3.85 per cent unsettled markets just ahead of the multiple stock market crash.

This time, the Bundesbank made sure everyone knew in advance what was to happen, especially as its action coincided with the Toronto economic summit. But apart from flagging the move, the Bundesbank was also operating in very different circumstances from last autumn.

Firstly, the economy is moving ahead much more smartly than expected a few months ago. Thus a tightening of rates is unlikely to dampen growth. The Bundesbank said in its latest monthly report that even excluding the impact of milder weather on construction activity, growth was 0.8 per cent in the first quarter on the last quarter of 1987, equivalent to a "quite respectable" annual rate of 3 per cent.

Secondly, the D-mark has become a weaker currency, at least for the time being, an ironic development as Germany commemorates the 40th anniversary of the monetary reform which helped to usher in its rapid post-war growth.

In that period, Germany has had one of the world's strongest currencies, with an inflation record better even than Switzerland's. This year, it has weakened markedly against the dollar (nearly 10 per cent), less so against the yen (6 per cent) and sterling (5 per cent) and been marginally lower within the European Monetary System.

Thirdly, Germany's unusually low interest rates have prompted a heavy outflow of funds as investors have sought better returns in the US, Canada, Australia, the UK and elsewhere. In the first four months of 1988, net purchases of foreign securities from Germany totalled DM 24bn, almost as much as in the whole of last year.

Against this background, the Bundesbank was confident that its rate rise would not be out of place. "Record low interest rates in Germany are no longer justified," said Mr Geoffrey Dennis, an international economist with UK stockbroker James Capel. "There was a case for raising rates two months ago."

But the central bank was anxious not to upset either the stock market or foreign governments.

Like other economists, he reckoned the present rate level would stay in being for a few months, with further rises later. The extent of the rise is larger than usual for "repo" rate increases, which normally rise by between 5 and 10 rather than 25 points.

"Markets should now quieten down," said Mr Guenther Himpich, a director of Chemical Bank AG in Frankfurt. "There could be a further rise in September to 3.75 per cent and to 4 per cent at the end of the year."

The Bundesbank has made clear it does not welcome the weaker Mark, which raises import prices and helps promote inflation, as well as helping exporters and thus slowing down the reduction of the trade and current account surplus which is needed to right world economic imbalances. "We have neither an interest nor any reason to see our currency depreciate," said Mr Karl Otto Poehl, president of the Bundesbank, recently.

Though inflation is still low in Germany at around 1 per cent, stability has a high priority. "The goal of stabilising the value of money must be taken seriously," asserted Mr Schlesinger, vice-president of the Bundesbank, this week.

Money supply thus had to be brought under control. M3, the broad aggregate now used by the central bank as its yardstick, has been rising at an annual rate of 7.25 per cent this year against a target range of 3 to 6 per cent.

While the increases were accepted as a way of accommodating monetary inflows over the past two years as the Mark rose sharply, the Bundesbank is now flexing its muscles to rein back the money supply. Mr Schlesinger, known for his firm views on stability, made clear he did not hold with the view that "a little inflation can't do any harm."

Tax reforms trigger sales of W German family companies

BY DAVID GOODHART IN BONN

WEST GERMANY is seeing a wave of selling of businesses, triggered by tax reforms, which could hit the economy, industrialists say.

They fear the powerhouse of West German industry, the "Mittelstand" of medium-sized, family-owned businesses, could be badly damaged by a rush to sell many of these companies to much larger concerns.

The selling spree has been triggered by a little noticed aspect of the major tax reform, now completing its progress through Parliament, which will nearly double the capital gains tax payable on the sale of most larger Mittelstand companies. The current tax is 28 per cent but that could rise to 53 per cent – depending on the tax band of the owner – in 1990.

The hurry to sell before the higher tax level is introduced has coincided with the imminent retirement of many of the entrepreneurs who built up businesses after the last war, many of whom do not have suitable heirs to hand over the business to.

Mr Detlev Rohwedder, chairman of Hoesch, the major steel and capital goods group, said yesterday his company had been flooded with offers from potential sellers. "This might benefit larger companies like Hoesch but it is surely not good news for the German economy. We are encouraging hasty deals, perhaps without industrial logic, which will throw away many of the advantages that the smaller, nimble, Mittelstand companies enjoy," he said.

Despite being accused of backing an "anti-entrepreneur" tax, and despite the lobbying efforts of some employers' organisations, the Government does not seem likely to withdraw the tax increase. The Finance Ministry expects the change to bring in only an extra DM50m (£16m) a year after 1990, although this is challenged by some independent experts who suspect the figure will be more like DM200m.

The clear beneficiaries from the upturn in company sales are the merger and acquisition departments of German banks. Ms Liane Launhardt of Commerzbank said yesterday: "We have noticed a marked upswing in activity recently." Mr Horst Kerlikowsky, editor of the Munich business magazine Etage, said banks in the south of the country were doing good business as a result of the tax change but added: "This is a very mixed blessing for the corporate economy."

Ms Launhardt added that foreign companies with an eye on 1992, especially the French, were enjoying a far greater choice of Mittelstand companies than they had expected.

Hungary's new leader tells **Leslie Colitt** of his hopes for the future

Grosz plays down liberalisation talk

KAROLY GROSZ, who last month dramatically replaced the veteran communist Janos Kadar as Hungary's party leader, used to have a reputation as a conservative populist who "devoured" intellectuals. But in recent months he has made a determined effort to establish a dialogue with intellectuals who want wider political reforms. And it was his platform of economic reforms and political liberalisation that helped him sweep into power at the party conference.

But in an interview this week with the Financial Times, he made it clear there were limits to liberalisation.

Mr Grosz rejected calls for unfettered democracy. The party was determined to maintain its leading role although parliament in the future would exercise greater control over government, while the party would assume a supervisory role and not interfere in daily government affairs.

Mr Grosz said Hungary was ahead of the Soviet Union in reforms because Hungarians made greater demands on the market than Soviet citizens. Unfortunately, he said, the Hungarian leadership were too often backed up by little work. Some of the calls for political reform could not be met, he said, because they arose out of "ignorance or irresponsibility."

The Hungarian police last Thursday broke up an attempt by several hundred citizens to mark the 30th anniversary of the execution of Imre Nagy, the Hungarian leader during the 1956 uprising. The opposition appeared to want to test Mr Grosz's political intentions by staging a rally in central Budapest. An earlier commemoration at the cemetery where Mr Nagy and other executed victims were anonymously buried, was permitted by the authorities.

The party would not consider the opposition demand to rehabilitate Mr Nagy. "1956 was a counter-revolution not a blank space" in recent Hungarian history, Mr Grosz told me. He hinted, however, that if Hungarian historians decided that Mr Nagy was wrongly executed then school textbooks might be altered without interference by the party. The issue remains extremely sensitive as Mr Kadar, who succeeded Mr Nagy, regarded the subject of his execution as taboo. Mr Kadar became president of the party last month, a largely ceremonial post.

Mr Grosz disclosed that he planned to visit Romania later this year in his capacity as Prime Minister in a bid to defuse the highly-charged relationship between the two Warsaw Pact neighbours. Hungary has accused Romania of massive discrimination against the 1.7m ethnic Hungarians in Romania.

"Should we have sharp words or troop concentrations – who would profit ?" he asked. "No one."

The Hungarian leader said it was his duty to accept a recently-renewed invitation from the Romanian Prime Minister, Mr Constantin Dascalescu, to visit Romania as soon as possible.

A senior Hungarian official however noted that for Mr Grosz to hold talks with the Romanian leader, Mr Nicolae Ceausescu, he would probably have to be invited in his capacity as party leader. This had now been proposed to Romania and Budapest awaited a reply.

The conflict with Romania is further complicated by a planned unofficial anti-Romania demonstration for next Monday in Budapest. It is aimed against recently-announced Romanian plans to eliminate thousands of villages in Romania – many inhabited by ethnic Hungarians – in coming years. Organisers expect more than 10,000 demonstrators for what has become a popular cause among Hungarians. It was assumed that the Hungarian authorities would not intervene.

Karoly Grosz: Some calls for political reform made out of "ignorance or irresponsibility"

Moscow sets terms for Start treaty

SOVIET arms expert Viktor Karpov said yesterday that Moscow could not conclude a strategic arms treaty with Washington that did not include sea-launched cruise missiles, Reuter reports from Moscow.

The head of the Soviet Foreign Ministry's arms control and disarmament agency said the US side had tried to avoid the issue in arms negotiations.

He denied that the Soviet Union was trying to block the strategic arms reduction treaty (Start) by insisting on the inclusion of sea-launched cruise missiles.

He told Tass news agency he was surprised by remarks by US negotiator Max Kampelman that the Kremlin had changed its position in December to make agreement on sea-launched missile verification a condition for a Start accord.

Mr Kampelman, who leads the US team at arms control talks in Geneva, said in Washington on Monday that the superpowers were unlikely to conclude a treaty this year if the Soviet Union kept insisting the sea-launched missiles be included.

"Attempts are being made to make it look as if the blame for new obstacles to the Start treaty would rest with the Soviet side," Mr Karpov said.

Interest rate rise sought in Italy

By John Wyles in Rome

ITALY'S central bank is pressing for still higher domestic interest rates in the wake of new figures showing very strong demand for bank credit and in the midst of some anxiety that the economy may soon be overheating.

Firm expectations that the West German Bundesbank would be raising its rates have also encouraged the Bank of Italy in the direction of monetary tightening to try to maintain stability in the lira-deutschmark rate.

Responding to signals from the central bank, Italy's leading commercial banks had by the beginning of last week pushed up a variety of their loan rates by around half a percentage point. However, armed with last Friday's information on a 10.2 per cent annual rate of increase in bank loans in May, the Bank has since been selling short-term securities into the money markets to drain liquidity and to signal its desire for a further increase in bank rates.

In the past few weeks, the Bank has been explicit about the need for the Government to take steps to slow down consumer demand and general consumption. Mr Giuliano Amato, the Treasury Minister, has reserved judgment about the need to act and feels under less pressure now that the April trade figures are out. These showed a considerable improvement in exports which rose by 15.6 per cent against an 8.6 per cent rise in imports. The overall deficit was L665bn (£286m), half the April 1987 deficit.

The Treasury Minister has been reported as saying in Ottawa – where he has been attending the world summit – that the expansion of bank credit at a rate just above the annual target range of 8-10 per cent showed that the economy had "a high temperature". But since the demand for bank credit was spread evenly across the system, he believed that the funds were destined for investment rather than the "financial games" played by a few large companies.

Italian communists elect new leader

BY JOHN WYLES IN ROME

WESTERN Europe's largest Communist Party acquired a new leader yesterday in the burly moustachioed shape of Mr Achille Occhetto who, by an almost unanimous vote of its central committee, is now entrusted with the task of lifting the Italian Communist Party (PCI) out of the deepest political doldrums.

Yesterday's confirmation of an elevation which has been in prospect since 52-year-old Mr Occhetto was made vice-secretary of the PCI last October, was a mixture of things new and traditionally Italian.

The novelty lay in Mr Occhetto's election during the lifetime of his predecessor, Mr Alessandro Natta. PCI leaders are usually removed by the Grim Reaper but Mr Natta took warning from a heart attack in May and an electoral disaster in local government polls this month and bowed out gracefully.

But this has cramped the party's evident need for a thorough inquest, since it is far too reverent to blame its steady decline in popularity on the policies of a leader who is still flesh and blood.

Some of its wilder hotheads are being rebuked for suggesting that Mr Enrico Berlinguer may have pursued a seriously flawed strategy. He died while in office four years ago.

Given that proceedings such as yesterday's are usually milked for their dramatic potential, there had to be a dramatic resignation from the central committee. A right-wing veteran, Mr Napoleone Colajanni, obliged because he favoured having a good row over future policies before electing a new leader.

His was one of the only two votes cast against Mr Occhetto by the 286-member central committee – he objected, said Mr Colajanni, to the "superficiality" of Mr Occhetto's opening address on Monday with its emphasis on a party strategy based on "key words and symbolic choices."

In a party which doubts if it is getting its money's worth from a speech running less than 3 hours, Mr Occhetto's 60-minute job on Monday may have lacked a certain depth.

But it was rich in codes such as the affirmation that the party had no more "promised lands" to reach – an indication of a formal burial for the proposal for a socialist state?

There seems to have been scarcely a mention from anybody about values the party might wish to represent nor the people it might seek to attract

Achille Occhetto: hoping to lead party out of the doldrums

New chief dismisses debt rescheduling fear

HUNGARY'S new party leader, Mr Karoly Grosz, is confident his country can avoid rescheduling its growing Western debt – the highest per capita in eastern Europe at $10.9bn net – if this year's improvement in Hungary's balance of trade continues, writes Leslie Colitt.

For the first time in recent years Hungary did not have a trade deficit with the West, he said. The improvement in Hungary's vital hard currency trade was $300m in the first five months of the year.

The Hungarian leader stressed the heavy burden of servicing the nation's debt. "We have to pay roughly $2.5bn in principal and approximately $1bn in interest this year," he said.

Although Hungary was forced to borrow each year in order to service the debt, rescheduling would only undermine international confidence in the Hungarian economy, Mr Grosz noted.

"I feel we will be able to avoid rescheduling. "It seems the efforts being made will bear fruit although we are not shouting about it."

The World Bank yesterday approved a $200m loan to Hungary based on Hungary's target to decrease its balance of payments deficit this year to $500m from $850m last year. The International Monetary Fund only last month gave Hungary a $300m loan.

Asked whether Budapest would accept a much-discussed Western aid programme for eastern Europe similar to the post-war Marshall Plan, Mr Grosz said Hungary would be interested. But it would have to serve Hungarian interests and the economy's "advancement". Several western politicians recently proposed such an aid programme but Mr Grosz said he had not yet heard any details.

Brussels to lift barriers to competition in public sector

BY DAVID BUCHAN IN BRUSSELS

THE European Commission is finalising its controversial plan to open to cross-border bidding contracts in four areas of public procurement – energy, transport, telecommunications and water – that have been hitherto excluded from Community competition rules.

This plan, capping the Commission's efforts to create a single European market in public as well as private purchasing, could win approval from the full 17-member Commission today, despite last minute disagreements on how the draft directive would apply to the energy sector and on what implications it might have for third countries.

Mr Jacques Delors, the Commission president, has wanted the new public procurement plan tabled before next week's EC summit in Hanover, to help show EC leaders how the Commission is setting the pace in the internal market programme.

The energy, water, telecommunications and transport sectors were originally excluded from the directives which were passed in the 1970s with the aim of requiring public authorities to advertise their contracts and not to discriminate against bids from other EC countries. They were excluded because the degree of public ownership of the entities operating in these sectors varied, and still varies, widely among EC states.

But the new draft directive seeks to reach the parts of the European economy that other directives could not, with a new argument. This is that the decisive factor is not state ownership, but state influence. Thus, in the energy sector, it would apply to publicly-owned utilities, but also to private oil companies whose operation in, say, the North Sea depends on government concessions. Indeed, EC officials cite the fact that 80 per cent of offshore equipment bought in the UK sector of the North Sea is British-made as an example of how state influence can close a market as effectively as state ownership.

The Commission also believes the new directive should apply to so-called natural monopolies, as in gas, water, or electricity, which depend on highly complex free-bidding rules not only to infrastructure

EC agrees rules on professional qualifications

By David Thomas, Education Correspondent

THE European Community is expected to approve today a radical overhaul of procedures enabling professional people to work in other EC countries.

Ministers see this as the most important measure in higher education to be adopted as part of the EC's drive to create a common internal market by 1992.

The new arrangements involve mutual recognition of professional qualifications of degree or equivalent level between EC member states.

The rules will apply to lawyers, accountants, teachers, surveyors, several medical professions and probably also engineers. Some other professions, including doctors, nurses, dentists, vets and architects, already have agreements enabling them to work across EC borders.

Member states expect the new rules to be agreed in principle at the Council of Ministers in Luxembourg today, with full agreement by the end of the year and implementation early in 1991. Up to 10m people may benefit.

Professionals may have to take a bridging course or aptitude test if they want to work on areas such as the accountancy or legal provisions of another EC country, but they will no longer have to retrain in subjects covered by their own professional qualification.

Hungary's leader urges closer economic ties with West

BY LESLIE COLITT IN BUDAPEST

MR KAROLY GROSZ, Hungary's new party leader, told the FT Conference on Doing Business with Eastern Europe that the only way for Hungary to catch up with the most developed nations was gradually to tear down the walls separating Hungarian companies from the world economy.

In his opening address Mr Grosz said some major steps were taken in this direction but much more remained to be done. Hungary had encouraged the inflow of foreign capital and had provided tax incentives for establishing joint ventures. A new corporate law was to be introduced next year which, among other things, would allow Hungarian enterprises to become international joint stock companies. It would also permit the "unimpeded co-operation" of Hungarian state, co-operative and domestic capital with foreign capital.

Mr Grosz noted that a modest securities market had emerged in Hungary which played an important role in mobilising individual savings. Hungary intended to create an organised stock market, he said, as well as the institutions needed to regulate it.

"We intend to transform this market into a modern means of transferring and involving Hungarian and foreign capital," he said.

In a keynote address, Mr David Mellor, British junior foreign minister, told the conference the UK Government would "bend every effort" to see an agreement on trade and economic co-operation signed between the European Community and Hungary by the end of this month.

Mr Mellor said he had no doubt the "exceptionally close" relationship between London and Budapest would continue and strengthen under Mr Grosz's leadership.

He noted, however, that although Hungary had created advantageous conditions for direct Western investment only three British companies had established joint ventures in Hungary out of more than 80 currently operating.

Mr Otto Wolff von Amerongen, chairman of West Germany's prestigious East-West Trade Committee and the conference chairman yesterday, noted that East-West trade now stood at about 4 per cent of world trade and was declining.

He pointed out the contradiction between the poor structure of Eastern Europe's industrial exports and the excellent results it achieved in areas such as thermal nuclear research, laser research, molecular genetics and some other areas. Comecon's weak point, he said, was in the commercial application of research results in industry. This

FT CONFERENCE

Doing business with Eastern Europe

provided a wide scope for scientific, technological and commercial co-operation between East and West.

Mr Janos Fekete, First Deputy President of the National Bank of Hungary which co-organised the conference, criticised the absence of a convertible currency in the East and noted further development would be difficult without it. This was a major obstacle in East-West economic relations rather than political discord.

Comecon had to "act quickly" to achieve partial convertibility of the transferable rouble and later the convertibility of the national currencies of member countries.

Mr Fekete said the socialist countries fell into three groups. The first paid back loans at any price without economic progress. The second tried to "muddle through" very cautiously, making adjustments, but without growth. The third group "to which Hungary belongs" paid back its loans, enforced adjustments and had growth, he said.

Prof Tamas Beck, President of the Hungarian Chamber of Commerce, said that while agreeing with the Government's reform philosophy, the chamber did not necessarily agree about the ways and means advocated by the Government. The chamber was instrumental, he said, in maintaining a two way flow of information between companies and the Government whereby tensions could be eased and points driven home before they turned into real conflicts.

Dr Werner Polze, President of the Deutsche Aussenhandelsbank of the German Democratic Republic said East Germany's net Western debt had remained "about the same" at the end of 1984. According to BIS statistics, the GDR's gross debt to the West at the end of 1987 was $14bn while its deposits with Western banks were $9bn.

Mr Polze said that after much experimenting the GDR's banking system consisted of a state bank and specialised commercial banks. But if banks were to play a bigger role in the efficiency drive of companies then money would have to play a more important role in the economy, Dr Polze emphasised.

Ex-Bofors men on arms charges

By John Burton in Stockholm

FOUR former executives of the Swedish arms company Bofors, including two managing directors, are to be tried for alleged arms smuggling.

The announcement follows a four-year investigation into charges that Bofors illegally shipped arms and ammunition via third countries to nations on Sweden's weapons embargo list.

The four are Claes Ulrik Winberg, Bofors' president until 1985; Martin Ardbo, who succeeded him as president; overseas marketing director Hans Ekblom; and Lennart Polsson, head of Bofors' defence division.

They are accused of illegally delivering 300 anti-aircraft missiles to Bahrain and Dubai and 40mm anti-aircraft ammunition to Oman.

The executives are expected to claim they had covert approval of officials of Sweden's arms export control agency.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

West to increase aid pledges for India by 16%

BY PAUL BETTS IN PARIS

WESTERN donor countries yesterday agreed to increase aid commitments to India this year by 16 per cent to $6.3bn from $5.4bn last year. This was more than the World Bank's recommendation of at least $5.8bn in new aid pledges for India this year.

The increase, agreed by the Indian Aid Consortium meeting under World Bank auspices in Paris, included a 17 per cent rise in concessional aid pledges totalling $3.9bn this year compared with $3.3bn last year.

Although India suffered its worst drought in a quarter century last year, the Indian Aid Consortium noted that the country had taken the action needed to avert even greater damage to the economy.

India's Gross Domestic product is expected to grow by less than 2 per cent this year because of the consequences of the drought. Mr S. Venkitaramanan, the Indian Finance Secretary, yesterday forecast economic growth of 7 per cent this year with a normal monsoon season.

The Western aid group noted that while prospects for the Indian economy looked encouraging it was, none the less, worried by a number of points. The main concerns included India's budget deficit and balance of payments situation; the slowing down of agricultural growth; the unfinished deregulation and liberalisation of the manufacturing sector; the need to do more in social sectors to alleviate poverty; preservation of the environment.

The World Bank secretariat in its report said India, in the longer run, needed to achieve at least a 5 per cent annual growth rate to improve the living standards of a population that is still increasing by more than 2 per cent a year.

Afghan resistance groups fight over spoils

BY CHRISTINA LAMB, IN SPIN BOLDAK, AFGHANISTAN

THE VARIOUS Afghan resistance groups have now become so preoccupied with dividing up the spoils as the Soviet occupation forces leave that they have started fighting each other rather than the army of President Najibullah's Soviet-backed Kabul regime.

Hostility between the fundamentalist forces of Mr Gulbuddin Hekmatyar, the extremist leader backed by Pakistan and the US, and less radical loyalist groups demanding the return of the former king, is now so fierce that there are effectively three sides to the war.

Nowhere is this more apparent than Spin Boldak, a vital border post on the road linking Kandahar, Afghanistan's second biggest city, to Quetta in Pakistan, from where supplies and communications are controlled.

Mr Hekmatyar's ambitions to take quick control of Jalalabad and Khost were thwarted by the refusal of prominent commanders like Abdul Haq to countenance an attack, fearing massive loss of civilian life and the possibility of being unable to hold the towns once taken. Consequently Hekmatyar was determined to take Spin Boldak to dispel increasing doubts about his party's effectiveness and to rally support.

However Spin Boldak is the tribal home of the Achakzais led by Mr Asmatullah Muslim, an unpredictable military commander. Three years ago, unhappy with his share of the arms, he defected from the fundamentalists to the communist side. In many areas the Kabul regime has contracted out the country's defence to such tribal militia as Mr Muslim's 4,000 men.

The Soviet Union sent in Afghan reinforcements to Spin Boldak last week and with the covert support of the royalists, Mr Muslim was able to force the fundamentalists to retreat after three weeks of intense struggle, despite the assistance that the fundamentalists received from Pakistani forces in Chaman, openly flaunting the Geneva accord.

The recapture of Kalat was a further blow to the fundamentalists, who having claimed credit for its capture now have to suffer the blame for its loss.

The royalists' first major political step away from the fundamentalists was the holding of Afghanistan's first national *jirga* (meeting of tribal elders and commanders) inside the country since the war began. Five hundred delegates from 28 of the country's 52 provinces arrived at the small town of Darukhan Kaley, just across the border, by jeeps, motorcycles or camels, waving posters of the ex-king Zahir Shah.

Some had been travelling several weeks from as far off as Mazar-i-Sharif in the north, to attend Monday's *jirga*, convened by General Sardar Akram Mohammadzay, a cousin of the former king and leader of the National United Tribes of Afghanistan, most of whose 11,200 commanders belong to moderate parties.

Jirgas can continue for days but under Kandahar's baking desert sun it took only six hours of impassioned speech-making for a unanimous resolution to be passed.

The *jirga* demanded that Mr Diego Cordovez, the UN mediator due in Pakistan next week, should bring back Zahir Shah within two to three months and that in the meantime, Gen Sardar should form a provisional government inside Afghanistan.

The situation, both politically and militarily, has reached a stalemate. One royalist commander in Kandahar said, "we may not win but we will do our utmost to ensure the fundamentalists do not either."

The beneficiary of such an internecine struggle between the resistance factions is the Najibullah regime in Kabul.

THE TASK of the Afghan resistance has been made more difficult by the appearance of a new bomb which the Soviets have been using in Kandahar, scene of some of the bitterest fighting in the nine-year war, writes Christina Lamb.

The fuel-air explosives which the Afghans call a haidi bomb (fire bomb) is based on the principle of the internal combustion engine. It makes a unique noise, sending out shock waves which can travel round corners, rendering conventional methods of cover useless.

Many of the Mujahadin believe it is napalm. Crusader Abdul Ahad describes its effects in Kandahar: "It sends out white rays which burst the eardrums and cause all the animals to die instantly."

N Korean debt plan jeopardised

By Stephen Fidler, Euromarkets Correspondent

DISAGREEMENT among North Korea's leading creditor banks could jeopardise a proposed accord to restructure the country's foreign debt, North Korea's London-based debt negotiator said yesterday.

Mr Colin McAskill, an intermediary between the North Koreans and the creditor banks which are owed $900m, said North Korea would consider pulling out of the agreement if a new proposal from one of its two leading creditor banks gains ground.

The Koreans negotiated a prospective deal with one of the two banks – Morgan Grenfell of the UK – which called for a crystallisation of western banks' debts at $900m, the forgiveness of 70 per cent of this amount and payment of the remainder over three years at fixed interest rates.

However, the Australian and New Zealand Banking Corporation, the other lead bank, has proposed a further option, not negotiated with the North Koreans, to members of its bank syndicate. This would parallel the Morgan proposal but would call for a 10-year period after 1991 during which interest would be capitalised, after which payments would be recommenced.

This proposal has caused confusion among lending banks and threatens to jeopardise the negotiated deal, says Mr McAskill.

Unita claims advances

ANGOLA's Unita rebels yesterday claimed that its guerrilla forces had captured a northern town in recent fighting and shot down an Angolan Air Force transport plane which it said was carrying troops to the southern war zone, AP reports from Lisbon.

Unita said that its units also captured surviving crew members of another Angolan cargo plane it claimed to have downed last week. According to the statement, signed by Unita Chief of Staff Gen. Demostenes Amos Chilingutila, rebel forces overran the town of Maquela de Zombo in Uige province Saturday.

It said that 25 Angolan army regulars were killed in the 90-minute battle for the town.

Pretoria cautious on economy

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA'S Reserve Bank has taken a cautious view on the country's economic outlook. Dr Gerbard de Kock, the Reserve Bank's governor, welcomes the stronger economic upswing which has developed recently, but warns that a less accommodative monetary policy might be needed to curb inflation.

The Reserve Bank says that strong growth in the economy's non-primary sectors in the last two quarters of 1987 continued into this year's first quarter, but growth in real GDP slipped from 5 per cent in 1987's final quarter to 4 per cent in the first quarter of 1988.

Dr De Kock warns that South Africa cannot afford to run current account deficits while it remains largely excluded from foreign capital sources and is committed to scheduled repayments of its foreign debt.

S African soldiers held in Botswana

BY JIM JONES IN JOHANNESBURG

BOTSWANAN police yesterday captured two South African commandos after a gun attack on six unarmed policemen to the south of the capital, Gaborone. The South African Defence Force neither confirmed nor denied the two were South African soldiers.

In another incident a bomb exploded in a residential suburb of Gaborone yesterday morning destroying a motor vehicle but causing no injuries.

The Botswanan Government says the two men were captured at a road block when they fled from the scene of the attack on the policemen. Five other South Africans involved in the attack apparently escaped. Three of the policemen were injured.

The Botswana Government believes that the group was preparing to attack targets in the capital.

South African soldiers have frequently crossed the largely unpatrolled international boundary in military vehicles and helicopters to attack suspected ANC targets in Botswana. On Monday, in a policy speech to parliament, President Botha said the ANC was preparing new attacks on South Africa. He added that 23 alleged ANC operatives had been captured in South Africa in recent weeks.

The Botswanan authorities have not explicitly linked the captured South Africans with yesterday's explosion in Gaborone, however they blame South Africa for the bombing which they described as a terror attack on innocent civilians.

● Namibia's diamond and uranium mines were again idle yesterday, the second day of a two-day stayaway called by the National Union of Namibian Workers. The territory's transitional government says 70 per cent of workers ignored the stayaway call while the union says support varied from 70 per cent to 100 per cent. The Rossing uranium mine, owned by RTZ, and De Beers' Consolidated Diamond Mines, suffered almost total absenteeism. The Tsumeb copper mine, on the other hand, was unaffected.

Zimbabwe cuts import allowance

ZIMBABWE has banned residents from using their annual holiday allowances to import cars and office equipment, Tony Hawkins writes from Harare.

There is little surprise at the move, since abuse of the holiday allowance had become so widespread. But it highlights the crisis management nature of the foreign currency allocation system, and the need for fundamental reform.

In a big revision of a concession introduced a year ago, Mr Bernard Chidzero, the Finance Minister, also cut the value of imports that a returning resident could bring home to a maximum of Z$900 (£280) a year from Z$3,000.

Three-nation minesweeper force likely

By Andrew Gowers, Middle East Editor

BRITAIN, the Netherlands and Belgium are on the point of forming an integrated minesweeping force in the Gulf under British command.

It is hoped in Whitehall that the agreement, which would formalise the existing co-operation between the three countries' warships, will come into force on July 1, coinciding with the start of Britain's chairmanship of the Western European Union.

The force will consist of one Belgian, one Dutch and three British minesweepers, backed up by Britain's Armilla Patrol, which consists of three warships in the Gulf at any one time.

The move, which has been discussed within the WEU for some months, will help prevent an overlap of responsibilities between the three countries' warships and reduce their overall cost at a time when the threat from Iranian-laid mines in the Gulf appears to have receded.

The agreement underlines the extent of quiet practical co-operation between European countries which have deployed warships in the region since last summer. The American, French and Italian fleets will be unaffected.

Israel immigrant plan opposed by US and Moscow

By Andrew Gowers

ISRAEL yesterday faced united opposition from the two superpowers to its demand that Jews allowed out of the Soviet Union be forced to go to Israel rather than other countries.

On Sunday, the Israeli Cabinet said it would press the Soviet Union and Romania to ensure that emigrating Soviet Jews fly to Israel via Bucharest rather than to Vienna. Jews arriving in the Austrian capital are free to decide on their final destination, while those arriving in Bucharest are flown on directly to Israel.

However, at a news conference yesterday, Mr Gennady Gerasimov, Soviet Foreign Ministry spokesman, said Moscow agreed with Washington that emigrating Jews should be free to choose their destination. His remarks followed a statement in similar vein this week by Ms Phyllis Oakley, a US State Department spokeswoman. "Our position is in line with that of Ms Oakley," said Mr Gerasimov. "She said that if we stand in favour of freedom of movement, we cannot dictate to people where they are to go."

Rangoon under curfew

BURMESE authorities imposed a dusk-to-dawn curfew to last for the next two months in Rangoon after six people were killed and dozens injured in riots in the heart of the capital yesterday, the state radio said, Reuter reports from Bangkok.

Five policemen were killed and 26 injured by crowds wielding sticks, swords and catapults, it said. One rioter was killed and several others hurt, the radio, monitored in Bangkok, said. It said rioters burned down two police stations in the city.

Western diplomats in Bangkok said it appeared to be one of the worst eruptions of violence ever against strongman Ne Win's 26-year socialist government.

The riots followed a week of peaceful student protests demanding the release of students jailed during riots in Rangoon in March.

Burma announced the closure of several universities in Rangoon yesterday. Foreign diplomats said students refused government orders to disperse and in the morning had blocked main roads leading to Rangoon University's main campus.

BRAZILIAN MINISTER TAKES TOUGH STANCE

Da Nobrega in fight to uphold austerity plan

BY IVO DAWNAY IN RIO DE JANEIRO

MR Mailson da Nobrega, Brazil's embattled Finance Minister, was yesterday waging a fierce fight in defence of his austere economic policies.

Under attack from large groups within the civil service and military over wages, small businesses on loan interest and even the *powerful state of Sao Paulo over* debt servicing, the minister appeared to have rejected any compromise with his critics.

After two lengthy meetings with President Jose Sarney on Monday, Mr da Nobrega emerged from the Planalto Palace on the counter-attack.

His first target were clauses tabled for debate in the transition provisions of the new Constitution. These would enact a general amnesty on the inflation-indexation of interest on loans incurred by small businesses and farmers during the Cruzado Plan on 1986, when credit was cheap.

In a nationwide television broadcast, Mr da Nobrega described the proposals as "catastrophic", warning that they would raise the public sector deficit, force tax increases and add to inflation.

After much speculation that he would give some ground on the issue, the minister's hard line has put Congress on the defensive, leading to predictions yesterday that the measure might now be delayed or even dropped.

Mr da Nobrega is also maintaining a tough line over his *two-month freeze on public sector wage rises*. Criticism of the policy forced the resignation of Brigadier Roberto Camarinha, the Armed Forces Minister, last week – it is assumed at Mr da Nobrega's insistence.

Now he is warning that if the National Supreme Court backs the Supreme Labour Tribunal's ruling that the freeze is unconstitutional no alternative will remain to mass redundancies and further budget cuts.

In a third and politically most dangerous confrontation, the minister is refusing any latitude to Governor Orestes Quercia of Sao Paulo over his state companies' substantial debts.

Admiration

The governor claims President Sarney had agreed that the Federal government would pay all the foreign debt interest incurred by the Sao Paulo government and six of its state companies.

Mr da Nobrega insists that, like other states, Sao Paulo must meet 30 per cent out of its own resources.

The minister's tough stance is winning him grudging admiration from many quarters including the Brazilian media.

However, at the same time, it is not without its dangers.

Some independent analysts believe that however dogged Mr da Nobrega proves in his battle to reduce the public sector deficit, his survival depends on his ability to reduce monthly inflation from *its current high teens* by the end of August.

Fears grow of higher US food prices

By Anthony Harris in Washington

FEARS OF sharply higher food prices have grown in the US this week with the appearance of weather forecasts showing no sign of relief in the intensifying drought.

The main threat is to animal feed grains and oil seeds, and soybean futures have now passed the $10 a bushel mark. Price pressures are now being transmitted to feed crops not directly affected by the future drought, such as *oats, though corn prices are still* well below previous drought records because of the availability of large stocks from previous years.

For the time being, however, the shortage of feed is on balance restraining prices slightly, thanks to the early slaughter of beef cattle. Cheap beef and plentiful seafood may for a time check the expected rise in poultry and dairy prices, where the first effects of the drought are expected at the retail level.

Partly as a result, there was no apparent change of trend in the retail price index, which rose 0.3 per cent in May, it was announced yesterday. This leaves the annual increase virtually unchanged at 3.9 per cent; and though the rate of increase over the last three months has been at a much higher annual rate of 5.3 per cent, this reflected other factors, some of which will not recur.

The sharpest rise in the last quarter was in clothing prices, which rose by 4 per cent. This reflected a rebound in the depressed prices of women's clothing.

Soya's 10-year peak, Page 32

Lionel Barber reports on the competitive defence bidding that ended in 'Pentagongate'

Contracts scramble that spawned a scandal

THE PENTAGON procurement scandal may prove a disaster for the Republican party, but it has done wonders for the confidence of Mr Ed Meese.

Having been pounded for months over his alleged ethical misconduct in office, the US Attorney General suddenly has a chance to play the toughest lawman in the land.

"We're very proud in the Reagan Administration of our record on prosecuting defence procurement fraud," said Mr Meese, "and this latest investigation is just one more example of the fine work that is being done by tough, experienced, professional prosecutors."

The sting in the tale for Mr *Meese came moments later at the* Monday afternoon Justice Department press conference. Mr Henry Hudson, the US Attorney from Virginia leading the two-year-old inquiry code-named Ill Wind, said he expected grand jury indictments in the case in the autumn – at the height of the presidential campaign.

The Republican Administration – Mr Meese included – is naturally trying to defuse the issue by taking the credit for uncovering the scandal. The problem is the sheer size of the case. Last week the FBI and Navy Investigative Service conducted raids in 15 states on some of the country's leading defence contractors, followed up by 275 grand jury subpoenas. These resulted from 290 days of wiretaps in 1987 which picked up 4,764 conversations, of which 671 were incriminating.

Since President Reagan came to office in 1981, his administration has spent some $2,000bn on defence. Most Americans agree that a military build-up was necessary after the post-Vietnam inertia of the Carter years; but the speed at which the military budget grew has proved, in retrospect, a recipe for rampant bribery and fraud.

John Lehman, left, and Ed Meese: key roles in the defence probe

Until last week, procurement fraud appeared to stem from over-charging and false accounting by defence contractors. In the public mind, at least, the Pentagon's purchase of $600 toilet seats and $7,000 coffee pots were the most visible symbols of how single-source contracting is ripe for abuse.

The rich irony about "Pentagongate" is that its roots lie in the cut-throat competition which the US Defence Department promoted among military contractors to combat the fraud and inefficiency of the early Reagan years.

The essence of the scandal lies in a network of Pentagon officials and major defence contractors who, using private defence consultants as go-betweens, traded *classified information on contract* bids for money and other favours.

According to Senator John Warner of Virginia, a former Navy Secretary, whose private remarks went public after he failed to turn off his microphone during a Senate hearing, the scheme worked as follows. Defence consultants, themselves often former Pentagon officials, paid $500 to $1,000 to a civil servant for propriety information, then went out and sold it for more than $50,000.

The network appears to have grown out of the Pentagon's new competitive bidding structure, which put a premium on classified information ranging from intelligence on specifications for new weapons systems to tips on rival contract bids. The consultants were, in effect, espionage teams hired by companies to secure information which then *could be provided on an arms-*length basis.

Defence Secretary Frank Carlucci is reassigning five Pentagon officials under scrutiny in a massive fraud and bribery investigation, Agencies report from Washington.

According to sources who were not named, Mr Carlucci had signed an order directing the reassignments. The sources said the affected employees were being notified of the decision by their respective services.

The five named are James Gaines, the deputy assistant Navy secretary for acquisition management; Dr Victor Cohen, the deputy assistant Air Force secretary in charge of buying tactical command, control, communications and computer systems; George Stone, a Navy official in the Space and Naval Warfare Systems Command; Stuart Berlin, an executive, with the Naval Air Systems Command; and Marine Corps official Jack Sherman, who works in the equipment and service acquisition section of the contracts division, installation and logistics department.

As one former aerospace executive said: "Everyone did it because there was a desperate *need for information*. The problems arose when it became blatant with bribes and other overt payments."

The competitive system might still have worked providing there were bureaucratic checks and balances. But in the Navy Department, a prime target of the FBI inquiry, the procurement process was concentrated in the office of the former Navy Secretary, Mr John Lehman, now an executive at the Wall Street brokerage house, Paine Webber.

Mr Lehman, helped by a small group of advisers including a former Boeing Corporation executive, Mr Melvyn Paisley, staged what amounted to a power coup at the Pentagon. They cut out layers of bureaucratic decision-making and concentrated power to organise contract bidding among themselves. Over five years, they established a reputation for cutting costs while sustaining the expansion of the fleet – but earned many enemies.

"They were ruthless," recalls one aerospace executive. "If you were with them it was OK, but if you were against them, you were dead in the water."

Last week, Mr Paisley's home and his Washington office, where he now works as a defence consultant, were searched by FBI agents. According to court papers filed in St Louis by the US government, Mr Paisley is under scrutiny for allegedly helping "steer" contracts valued at billions of dollars to McDonnell Douglas. Other reports suggest that Mr Paisley's alleged activities on behalf of other major defence contractors are being targeted.

The government is now investigating whether several major contracts – ostensibly won in the heat of competition – may in fact have been fixed. One such contract is McDonnell Douglas's joint venture with General Dynamics to run the $45bn programme to build the navy's advanced tactical aircraft, which beat a rival bid from Grumman and Northrop. Other contracts under review are the F/A-18 fighter aircraft and a new helicopter called "Killer Egg." McDonnell Douglas denies any wrongdoing.

Mr Loren Thompson, deputy director of national security studies at Georgetown University in Washington, says an early lesson of the scandal is that competitive bidding is not the panacea it *was trumpeted* to be three years ago.

Thatcher strives for Reagan mantle

BY STEWART FLEMING, US EDITOR, IN TORONTO

PRESIDENT Ronald Reagan *basked in the limelight alongside* Mr Mikhail Gorbachev in Moscow at the beginning of the month, rising to the big occasions such as his speech at Moscow University with a vigour which even his critics had to admire.

But in Toronto, at his last economic summit, Mr Reagan has been playing only a cameo role, lost in the rush of Western lead*ers trying to put their imprint on* world affairs while America drifts through the pre-election doldrums.

At the front of the crowd has been Mrs Margaret Thatcher, whose stature has been enhanced by her political longevity and by her domestic successes, but also by the close relationship she has enjoyed with the man whose *mantle she has been hastily trying to inherit.*

So hastily indeed that in her rush to the front of the pack she stumbled awkwardly over diplomatic protocol, allowing her spokesman to claim that she had set the agenda for the opening *dinner of the summit leaders*, a statement which infuriated Canadian officials, whose prerogative it was to claim this privilege no matter who spoke first.

It was a trip which served to underscore the vigour of British flag-waving – her officials seemed to want to claim credit for every little step forward that has been made here, from the *drug and terrorism initiatives* announced on Monday to the progress on debt relief for sub-Saharan African countries.

At least in the latter case it was indeed Mr Nigel Lawson, the British Chancellor of the Exchequer, who 18 months ago at the Interim Committee Meeting of the International Monetary Fund in Washington led the way in *putting forward concrete proposals* for what Mr James Baker, the US Treasury Secretary, likes to call the "poorest of the poor." This term distinguishes them from the "semi-poor" who made the mistake of borrowing too much from private markets, not Governments.

However, Mr Baker – who it is rumoured would be Secretary of State if Vice-President George Bush became President – gave credit to the Canadians for the African debt compromise at a briefing for the American press.

Mrs Thatcher's efforts to upstage her rivals, while greeted with rapture by home town supporters, served to underscore just how awkwardly she is poised to enter the post-Reagan era.

It is of course true that no other leader has succeeded in casting his shadow over his rivals, and so to that extent Mrs Thatcher can claim to have had a successful summit.

But while she may hope to influence the international agenda for the next few months, during which there is not strong American leader, her prospects of doing so later on are much less certain.

It is hard to imagine that she will enjoy the same sort of relationship with Mr Bush as she has *with Mr Reagan, in spite of their* philosophical compatibility. Getting along with Governor Michael Dukakis of Massachusetts, the advocate of draconian sanctions against South Africa and a liberal at heart on social issues, promises to be hard work for her indeed.

If she hopes to do some bridge building with her European counterparts and to play the honest transatlantic broker (as she tried but failed to do here on farm policy) she has a legacy of suspicion to overcome, symbolised by her stubborn stance on full membership of the European Monetary System.

Perhaps she will be forced to make some accommodations. The discussions in Western Europe are all about closer economic integration, perhaps even the establishment of a European central bank. She will no doubt have allies on some of these issues, but can she afford to run headstrong into this wind of change?

Hijack accord 'needs to be strengthened'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MUCH MORE international negotiation is needed before the agreement by heads of state in Toronto this week on the prevention of aircraft hijacking can be turned into a practical programme for other countries, according to Mr Rodney Wallis, director of security for the International Air Transport Association.

Mr Wallis is in Montreal discussing an anti-hijacking programme at a meeting of the aviation security panel of the International Civil Aviation Organisation (ICAO), the aviation technical agency of the United Nations.

He said the political agreement in Toronto provided for an advisory group to negotiate in the event of a hijacking, and an "inquest group" to analyse events.

While these proposals were valuable, they did not go as far as the proposals put forward by IATA itself.

For example, the political agreement did not include IATA's plans for an international military force to deal with hijackings as they occurred, nor for an international court to try hijackers, or an international detention centre for convicted hijackers.

While IATA supported the political agreement, it would still pursue its own more far-reaching proposals in the forum of the ICAO over the months ahead, in the hope that eventually the political agreement could be strengthened, he said.

IATA comprises 171 of the world's airlines.

The ICAO has 158 member states, including many Arab countries, covering a wide range of opinion on the question of crimes against aircraft, and it would need much delicate negotiation to get any kind of practical programme approved

"The intent of these proposals by the IATA is to strengthen the resolve of states who find themselves under intolerable pressure when an act of unlawful interference takes place involving their territories," Mr Wallis said.

"States frequently succumb to the blackmail of terrorists. This is manifested in governments agreeing to refuel aircraft in order to get the vehicle and its unwelcome load away from its jurisdiction.

"This is seen by the airlines to be in contravention of The Hague Convention (which some time ago outlawed hijacking)."

UK urges decision on Rover by July

By David Owen

MRS Margaret Thatcher, the UK Prime Minister, has reiltersted her request for a quick European Commission decision on the UK's proposal to inject £800m into the Rover car group.

At a brief meeting with Mr Jacques Delors, the EC president, during the Toronto summit Mrs Thatcher said that she wanted the EC to reach a decision on the issue before parliament's recess in July. She stressed the political importance to Britain of a prompt and satisfactory resolution of the affair.

The injection is intended to prepare Rover for its pending £150m takeover hy British Aerospace. Mr Delors emphasised to Mrs Thatcher that such decisions were the Commission's joint responsibility. The topic will be discussed at future EC meetings.

The next *opportunity* for the suhject to he hroached is at today's weekly meeting in Brussels. *The EC hopes to see the aid* scaled back hy between £250m and £550m. It is feared that such a reduction would force BAe to abandon the takeover and force the Government to seek an overseas buyer.

EC officials feel that there is not necessarily a parallel to be drawn between Rover and the French Government's rescue of Renault with a FFr20bn (£1.9bn) aid package.

The Commission approved the Renault rescue last March on condition thst the carmaker changed its status from a *regie* – with its debts guaranteed by the state – to a public company subject to normal commercial law.

TORONTO SUMMIT

EC earns its crust at the top table

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE European Community is traditionally the ghost at the banquet. Journalistic shorthand speaks of the seven-nation economic summit. Few correspondents feel inclined to add the clumsy phrase that the European Community Commission also attends.

But in Toronto this week there were signs that the Commission, which has had a place at the top table for the last 10 years, is beginning finally to make an impact.

The catalyst is 1992. As the 12 Community nations embark on the dismantling of all trade harriers there is a growing awareness that Europe may *turn out to be more than sim*ply the sum of its constituents.

Mr Jacques Delors, the Commission President, has found his non-European colleagues at the summit interested, inquisitive, and sometimes fearful of the implications of the creation of a genuine European trading bloc.

The interest has heen strengthened hy the parallel discussions about the US/Canada free trade agreement. The thought is that perhaps in the 1990s the focus really will be on North America, Japan and Europe, rather than the US, Japan and West Germany.

The result has been to leave the Commission in more confident mood in its traditional responsihilities of trade and agriculture.

Mr Delors and his fellow Commissioner Mr Willy De Clercq have had littla hesitation in dismissing US demand for more substantive commitments at the summit on agricultural subsidies.

Yesterday's tongh bargaining on the final communique reflected that determination.

There was no question, Mr De Clercq insisted, of Europe bowing to US calls for a pledge that farm subsidies would be eventually eliminated. Any*way the place for negotiations* was the General Agreement on Tariffs and Trade, not the seven-nation summit where less than 10 per cent of the participants in the Urnguay Round were present.

Mr Delors, meanwhile, has also provided a welcome foil to the freqnently sngary and self-gratulatory tone of the economic talks between the seven national leaders over the last few days.

The financial markets might be quiet for now but the Commission's more realistic message was that the problems of protectionism, world debt and inflation have not gone away.

Tories weigh up Mulroney's week

By David Owen in Toronto

CANADIAN Conservative party strategists in the next few weeks will be asking themselves how mnch the summit performance of Prime Minister Mr Brian Mulroney *influenced the crushing* hy-election victory on Monday of his friend Mr Lucien Bouchard, the Canadian Secretary of State.

The Conservatives' tactics in the next national election campaign may depend on their conclusions.

Mr Mulroney, the host st the Toronto summit, reaches the end of his first five-year term in September 1989 but *is widely* expected to call an election next autumn or spring.

On the face of it, while the atmosphere at the summit has generally been harmonious and has enabled Mr Mulroney to bask in the aura of the leaders' mutual admiration, Mr Bouchard's triumph probably owes more to the C$160m (£74.4m) in pre-election pledges which tha party showered on the Lac-Saint-Jean riding.

Mulroney: assiduous

Substantive achievements et the summit have after all been extremaly limited.

On agriculture, Mr Mulroney's assiduous attempts to portray Canada as a well-intentioned mediator between the US and the European Community have singularly failed to generate significant progress.

On sub-Saharan debt, Canada is one of e number of countries vying for credit for helping to originate the initiative.

On the US-Canada free trade, Japan in particular has been hesitant in pledging its wholehearted support. Officials have indicated that Japan would back the deal if it indeed created a larger North American market and provided it did not discriminate against the outside world.

Finally, while Mr Joe Clark, External Affairs Minister, spoke at eome length about South Africa in his chairmsn's summary of political issues, the plea for clemency for the Sharpeville Six added nothing to last week's European ministers' statement.

All this has left the Canadians angling *for* praise over the smooth functioning of the summit and its "structural innovations": namely the half-day devoted to economic issues at the outset of the event and the session to focus leaders' attention on longer-term issues such as environment and education.

Summit leaders hail growth but urge greater co-operation

The following is an edited version of the Toronto Economic Summit declaration.

We, the Heads of State or Government of seven major industrial nations and the President of the Commission of the European Com*munities*, have met in Toronto for the 14th annual Economic Summit. . . We have drawn lessons from the past and looked ahead to the future.

Over the past 14 years, the world economy and economic policy have undergone profound changes. . . making it essential that governments consider fully the international dimensions of their deliberations.

Inflation has been brought under control, laying the basis for sustained strong growth and improved productivity. The result has been the longest period of economic growth in post-war history. However, the 1980s have seen the emergence of large external imbalances in the major industrial economies, greater exchange rate volatility, and debt-servicing difficulties in a number of developing countries. . .

Summits. . . *have helped bring* about an increasing recognition that the eradication of inflation and of inflationary expectations is fundamental to sustained growth and job creation. . .

Since we last met, our economies have kept up the momentum of growth. . . but to sustain non-inflationary growth will require a commitment to enhanced co-operation. This is the key to credibility and confidence.

International economic policy co-operation

Macroeconomic Policies and Exchange Rates

The Tokyo and Venice Summits have developed and strengthened the process of co-ordination of our economic policies. Developments in the wake of the financial strains last October demonstrate the effectiveness and resilience of the arrangements that have emerged. . . Policies and performance are assessed on the basis of economic indicators. We welcome the *progress made in* refining the analytical use of indicators, as well as the addition to the existing indicators of a commodity-price indicator. . .

We endorse the Group of Seven's conclusion that either excessive fluctuation of exchange rates, a further decline of the dollar, or a rise in the dollar to an extent that becomes destabilising to the adjustment process, could be counterproductive by damaging growth prospects in the world economy.

Structural Reforms

Structural reforms complement macroeconomic policies, enhance their effectiveness, and provide the basis for more robust growth. We shall collectively review our progress on structural reforms and shall strive to integrate structural policies into our economic co-ordination process.

We will continue to pursue structural reforms by removing barriers, unnecessary controls and regulations, increasing *competition, while* mitigating adverse effects on social groups or regions; removing disincentives to work, save, and invest, such as through tax reform; and by improving education and training.

Multilateral trading system/Uruguay Round

At Punta del Este, Ministers committed themselves to further trade liberalisation across the wide range of goods and services, including *such new areas* as trade-related intellectual property and trade-related investment measures, to *strengthen the multilateral* trading system, and to allow for early agreement where appropriate. In order to preserve favourable negotiating climates the participants should conscientiously implement the commitments to standstill and rollback that they have taken at Punta del Este and subsequent *international meetings*.

We welcome the Free Trade Agreement between Canada and the US. We also welcome the steady progress towards the target of the European Community to complete the internal market by 1992.

We attach major importance to strengthening the Gatt itself. . . Gatt disciplines must be improved so that members accept their obligations and ensure that disputes are resolved speedily, effectively and equitably.

Trade plays a key role in develop*ment. We encourage the developing* countries, especially the newly industrialising economies, to undertake increased commitments and obligations and a greater role in the Gatt, commensurate with their importance in international trade and in the international adjustment process.

In agriculture. . . although significant progress was made in 1987 in the Uruguay Round negotiations, *with the tabling of major proposals*, it is necessary to ensure that the Mid-Term Review in Montreal in December, 1988 adds impetus to the negotiations in this as in other fields.

To move the issue forward, and noting among other things a diversity of our agricultural situations, our negotiators in Geneva must develop a framework approach which includes short-term options in *line with long-term goals concerning* the reduction of all direct and indirect subsidies and other measures affecting directly or indirectly agricultural trade. The objective of the framework approach would be to make the agricultural sector more responsive to market signals.

As the Uruguay Round enters a more difficult phase, it is vital to ensure the momentum of these ambitious negotiations. The Mid-Term Review will provide a unique opportunity to send a credible political signal to the trading world.

Newly industrializing economies

Certain newly-industrialising economies (NIEs) in the Asia-Pacific region have become increasingly important in world trade. Although these economies differ in many important respects, they are all characterised by dynamic, export-led growth which has allowed them to treble their share of world trade since 1960. Other outward-oriented Asian countries are also beginning to emerge as rapidly-growing exporters of manufactures.

Developing countries

Debt

The problems of many heavily-indebted developing countries are a cause of economic and political concern and can be a threat to political stability in developing countries which are making a difficult transition to democracy and merit our special attention.

Middle-income Countries

A number of highly-indebted middle-income countries continue to have difficulties servicing their external debt and generating the investment necessary for sustainable growth. The market-oriented, growth-led strategy based on the case-by-case approach remains the only viable approach for overcoming their external debt problems.

We strongly support the full implementation of the World Bank's $75bn General Capital Increase to strengthen its capacity to promote *adjustment in middle-income* countries. We also support greater awareness by international financial institutions of the environmental impact of their development programs. The menu approach has engendered new financial flows and – in some cases, reduced the existing stock of debt. The flexibility of the present strategy would be enhanced by the further broadening of the menu approach. . .

Debt of the Poorest

An increase in concessional resource flows is necessary to help the poorest developing countries resume sustained growth, especially in cases where it is extremely difficult for them to service their debts. Since Venice, progress in dealing with the debt burden of these countries has been encouraging. Paris Club creditors are rescheduling debt at extended grace and repayment periods. In addition, the recent enhancement of the IMF's Structural Adjustment Facility; the World Bank and Official Development Assistance (ODA) agencies' enhanced program of co-financing; and the fifth replenishment of the African Development Fund will mobilise a total of more than $18bn in favour of the poorest and most indebted countries undertaking adjustment efforts over the period 1988/90. Out of this total, $15bn will be channelled to sub-Saharan African countries.

We welcome *proposals made by several of us* to ease further the debt service burdens of the poorest countries that are undertaking internationally-approved adjustment programmes. We have achieved consensus on rescheduling official debt of these countries within a framework of comparability that allows official creditors to choose among concessional interest rates on shorter maturities, longer repay*ment periods* at *commercial* rates, partial write-offs of debtservice obligations during the consolidation period, or a combination of these options.

Further summits

We believe that the Economic Summits have strengthened the ties of solidarity, both political and economic, that exist between our countries and that thereby they have helped to sustain the values of democracy that underlie our economic and political systems...We have therefore agreed to institute a further cycle of Summits by accepting the invitation of the President of the French Republic to meet in France, July 14-16 1989.

هكذا في الأصل

Mitsubishi may set up European plant by 1992

BY CARLA RAPOPORT IN TOKYO AND KEVIN DONE IN LONDON

MITSUBISHI Motors, Japan's fifth largest car maker, is considering setting up a European motor vehicle production plant before the unification of European markets in 1992.

According to remarks made by Mr Toyoo Tate, Mitsubishi Motors' president, in Vienna this week, the company is studying the feasibility of such a plant. Currently, only Nissan has a car plant in Europe. Toyota, Japan's number one carmaker, is also considering a move into Europe if it can find a suitable joint venture partner.

Mitsubishi Motors yesterday said the company was studying the possibility of locating a European plant in Spain, West Germany or the UK. It is also considering whether to make the move independently and what kind of vehicle it should produce.

"At this stage, we are going our independent way in Europe. . . Maybe in the future, if both parties can profit, we may link up with another company," a Mitsubishi executive said yesterday.

He stressed that the unification of European markets gave more impetus to the company's thinking about producing overseas.

European Community member states are still undecided on how best to deal with the thorny issue of Japanese car imports. Several countries, inclnding France, Italy, Spain and the UK, have more or less official quotas but these could be abolished in the move towards a single European market.

European car makers are lobbying for a prolonged period of protection after 1992, with a limit of around 10 per cent on Japanese car imports to the Commnnity. If they succeed it would severely limit Japanese car makers' further growth in Europe, forcing them to build local manufacturing operations.

The first such move has already been made by Nissan which will be producing up to 200,000 cars a year in north-east England by 1993 with the aim of achieving 80 per cent local content.

In 1986, MMC was Japan's fifth largest car exporter, behind Toyota, Nissan, Mazda, and Honda. It has links with Chrysler of the US, Daimler-Benz of West Germany, Hyundai of South Korea and Proton of Malaysia.

Mitsubishi Motors is already well advanced in its strategy for establishing a web of relationships around the world.

It is 24 per cent owned by Chrysler of the US and is making its initial foray into local production in the US in a 50-50 joint venture with Chrysler named Diamond-Star Motors, which is scheduled to start production in December. The US plant will have a capacity for producing 240,000 cars a year.

Chrysler has hitherto taken the majority of Mitsubishi's exports to the US as well as an increasing volume of engines.

MMC, along with Mitsubishi Heavy Industries, its major shareholder, also have a 15 per cent stake in Hyundai Motors in South Korea, which assembles some Mitsubishi models for re-export to Japan and also supplies some Hyundai cars to MMC in the US.

MMC last year sold around 150,000 cars in West Europe of a total production of some 596,000 cars in Japan.

Hitherto its main proposed manufacturing link in West Europe has been with Daimler-Benz of West Germany. Last September the two companies said they were in the final stages of negotiating an agreement for the joint production and distribution of commercial vehicles in Europe.

Mitsnbishi said that there was a possibility that its Delica/L300 van could be produced at Daimler-Benz's Spanish commercial vehicles plants in Barcelona or Vitoria, and that the two companies would collaborate on the development of future light commercial vehicles.

OUTPUT NOW EXPECTED TO RISE THIS YEAR

Foreign orders boost W German engineering

BY ANDREW FISHER IN FRANKFURT

A SHARP rise in foreign orders has led to a marked turnround in the fortunes of West Germany's mechanical engineering industry this year, with output now expected to rise this year instead of declining.

The industry was helped by a surge in demand for machinery within Europe and the absence of further D-mark revaluation.

New overseas bnsiness increased by as much as 21 per cent in real terms in the first four months of 1988 compared to the sama period last year, while domestic orders were only 2 per cent higher. Total orders were up by a real 12 per cent, allowing for price rises of some 2 per cent.

"We were surprised to see just bow stroog foreign business was," said Mr Herbert Kriegbaum, head of research at the West German mechanical engioeeriog industry association which produced the figures.

Demand from Western Europe was very strong, especially from France, the UK, Italy, Spain and Portugal. However, the association said it was worried about the drop in orders from the Soviet Union due to lack of foreign exchange and uncertainties connected with economic reforms.

Because of the improved foreign order inflow, the VDMA has upgraded its production forecast for the industry, which is Germaoy's largest employer, with 1.1m workers. It oow expects a real rise of 2 per cent in output this year after saying in March that a 2 per ceot decline was likely, as in 1987.

Apart from tbe surge in business from EC countries, orders from the US and China had also stabilised after sbarp falls last year. Some 60 per cent of total output is exported.

Describing the rise in foreign orders as "almost nncanny," Mr Kriegbaum said the VDMA now expected these to stabilise rather than rise further. Sectors working at over 90 per cent of capacity included printing, textile, food, rubber and plastic, and iron- and steelmaking machinery, as well as machine tools.

He said the jump in European machinery demand reflected both the fact that investment bad been too low in past years and the rapid pace of technological development, in wbicb Germao machinery manufacturers were to tbe fore. The trend in the D-mark, down against the dollar and flat against European currencies, had also helped exporters.

But the VDMA expressed concern at the state of business in the Soviet Union, where machinery deliveries from Germany bad halved in four years.

As well as the sbortage of foreign exchange, uncertainties associated with economic reform were also having an effect. So, too, was the Soviet desire for more co-operation and licence deals rather than straight purchases. This delayed important and much-needed investments, the association said.

The upturn in business, with orders providing enough work for at least six months, has enabled companies to cut the number of workers on short time from 37,000 in February to 21,000 in May.

Iata traffic up 13% in first quarter as revenue falls

BY MICHAEL DONNE IN GENEVA

INTERNATIONAL traffic carried by the 171 member airlines of the International Air Transport Association increased in the first three months of this year by a "healthy" 13 per cent to 41.5m passengers.

Dr Gunter Eser, director general of the world airlines' organisation, said yesterday: "Consumer confidence and business demand remain very strong. The only concern we have is that revenue yields are falling to the extent that the traffic growth is not being reflected in comparable profit increases for the industry as a whole."

Iata believes traffic growth for the whole of 1988 could be as high as 10 per cent, although in the longer term it will fall back to an annual growth rate of between 5.5 and 6 per cent.

Preliminary indications are that the net profit for Iata airlines in 1988 will be about $800m (£450m) after interest payments, about the same as in 1987.

A significant factor is the current stability in fuel prices, because aviation fuel now accounts for over 15 per cent of total airline international operating costs.

Iata has been lobbying fuel companies, and between last September and May it has achieved reductions in fuel bills equivalent to $60m a year.

He made clear that the Iata was deeply concerned at the ability of the air traffic control system to cope with the anticipated doubling in the number of aircraft movements by the end of the century.

Describing airport and air traffic congestion as the biggest problem facing the air transport system, Dr Eser said European air transport especially was in danger of missing the chances offered by liberalisation and deregulation.

The situation at airports in Europe would be studied by Iata this year.

Dr Eser said: "Some relief can be gained from the relaxation of night curfews and increased operations during the night by the quieter types of airliners. Much progress has already been made in the alleviation of airport noise due to the bans imposed on non-noise certificated aircraft."

While he stressed that there was no instant and spectacular solution to the air traffic control and airport capacity crisis, he said much could still be achieved through "incremental improvements".

US supports Chile in EC apple protest

BY WILLIAM DULLFORCE IN GENEVA

THE US yesterday backed Chile in its row with the European Community over the licensing system Brussels has imposed on imports of dessert apples.

The EC had introduced a new trade distorting measure which was inconsistent with its "standstill" commitment, the US said. When launching Gatt's trade-liberalising Uruguay Round in 1986 trade ministers pledged not to introduce new protective measures during negotiations.

Brussels' quota system not only affected US apple exports to the EC, it was likely to result in the diversion of exports from third countries to the US market, where prices were at distress levels because of over-production, the US complained.

Chile charged that, when introducing a quota system for all suppliers of apples in the southern hemisphere, the EC had effectively maintained a suspension on imports from Chile. The EC pointed out the matter was being investigated by a Gatt disputes panel.

The two complaints against the EC's new apples regime were among nine "notifications" tabled yesterday with the Uruguay Round's surveillance body, which monitors compliance with the standstill undertaking.

Canada was the target of two complaints by the US, one against its new subsidies to domestic producers of white pea beans, the other against the addition of items to the list of dairy products on which Canada maintains import controls.

The US also targeted a Swiss government price support programme for the domestic production of soyabeans. The new subsidy, under which the Government undertakes to pay about 750 per cent above the world price for soyabeans cultivated on 2,000 hectares, would damage US exports and was inconsistent with a standstill commitment, the US said.

Cairo move on export insurance

By Tony Walker in Cairo

EGYPT IS establishing an export insurance company with a paid up capital of E£10m (£2.4m) and access to a further E£50m at a low rate of interest from the National Investment Bank.

The Export Guarantee Company of Egypt will be legally separate, but will operate under the auspices of the Export Development Bank of Egypt, which will have a 55 per cent shareholding.

Other shareholders include the National Investment Bank with 15 per cent, and three large public sector insurance companies, Misr, el Shark and National, with 10 per cent each.

Dr Hazem Beblawi, chairman of EDBE, who will oversee the new export insurance company, said it was expected to begin operations this year.

Egypt's non-oil exports registered a 14 per cent increase in 1986-87 and are expected to grow by about 20 per cent this year.

Egyptian textiles and agricultural products have become more competitive because of a 80 per cent depreciation last year in the value of the local currency.

Japanese premiums set to jump

By Peter Montagnon in Tokyo

THE Export-Import Insurance Division of Japan's Ministry of International Trade and Industry is planning a steep increase in export insurance premiums this autumn to help cover a deficit in its operations. The increase will be the first since 1984.

Like other official export credit insurance agencies, EID has faced increasing claim payments as a result of the developing-country debt problem.

The size of the premium increase is still being discussed with exporters, but it could be as much as 40 per cent, Japanese businessmen believe.

Unofficial estimates for the 1987 fiscal year ending in March suggest that EID suffered a deficit of around Y48bn ($385m) following payment of claims totalling nearly Y110bn.

The premium increase has to be pitched at a level that will not deter exporters from seeking cover. Premium income last year is estimated to have slipped by about Y5bn to around Y30bn and the department covers only a quarter of Japan's total exports.

Australia, New Zealand agree to scrap tariffs

AUSTRALIA and New Zealand agreed yesterday to eliminate trade barriers between the two countries by July 1990, AP-DJ reports from Christchurch.

Trade in goods and services will be free from that time under a speeded up and extended closer economic relations agreement, Australian Trade Negotiations Minister Michael Duffy and New Zealand Overseas Trade Minister Mike Moore said after two days of talks.

Free trade in goods was brought forward from an originally proposed 1995.

The inclusion of services in the agreement is an addition to earlier plans.

The ministers said they had also agreed on increased harmonisation of business laws, customs, technical barriers to trade and quarantine administration.

Their agreement is scheduled to be signed in August by Australian Prime Minister Bob Hawke and New Zealand Prime Minister David Lange.

Mr Hawke and Mr Lange late last year proposed accelerating free trade between Australia and New Zealand. Since then, officials from the two countries have been preparing for the new accord.

● MR DAVID LANGE, New Zealand's prime minister, yesterday stressed the need for the government to gather revenue to keep its budget deficit manageable, AP-DJ reports from Wellington.

But he would not say whether his Government was considering an increase in its broad-based 10 per cent indirect tax, the goods and services tax.

This contrasts with his readiness three weeks ago to tell journalists he was "almost certain" a proposal to raise the tax was not on the agenda.

WORLD TRADE NEWS

Arab airlines push plan to pool aircraft leasing and purchase

BY ROBIN ALLEN IN DUBAI

SEVERAL ARAB airlines are promoting the idea of pooling resources to buy or lease aircraft over the next seven years.

The suggestion was voiced by Mr Ahmed Mishari, the chairman of Kuwait Airways. In an interview with Associated Press in Kuwait, Mr Mishari referred to a "tentative agreement" to form a multi-billion consortium, to be called the Arab Aviation Finance Company (AAFC), to finance the purchase of up to 220 new airliners on behalf of Arab air carriers over the next seven years.

This purchase would cost about $10bn: 50 of the new aircraft would be needed to meet growth plans while 170 would replace ageing aircraft.

The first step towards reaching such an agreement would be the appointment, possibly by the end of this month, of a consultant to make a feasibility study on the proposed consortium and its aims.

The idea, according to Mr Ali Ghandour, chairman and chief executive of Royal Jordanian Airlines, is being promoted mainly by his own airline, as well as Gulf Air and Kuwait Airways. The study would need to examine how many of the 21 members of the Arab Air Carriers Organisation (AACA) are interested in joining, the depth of collaboration and whether the consortium will get the backing of Arab financial institutions.

Gulf bankers and airline officials have reacted cautiously to Mr Mishari's statement, in which he is reported to have said that 14 Arab air carriers and five financial institutions would be involved.

Mr Mishari indicated a steering committee had been set up comprising the board chairmen of the national airlines of Kuwait, Jordan and Morocco, Mr Adil al-Dajani, the Secretary General of the AACA, and five Arab banks. These latter were thought to be Arab Banking Corporation, Paris-based Banque Arabe & Internationale d'Investissement (BAII), Gulf International Bank, Gulf Investment Corporation and National Bank of Kuwait (NBK).

However, NBK is understood not to be on the steering committee and not to have given any undertaking at this stage until it sees the outcome of the feasibility study. This is unlikely to be completed before next year.

Mr al-Dajani has already said AACA's members had agreed "in principle" to the establishment of a leasing, rather than a purchasing, company.

K K Sharma in New Delhi on an industry set to provide one third of foreign exchange earnings by 1992

India fashions an export boom from backstreet tailors

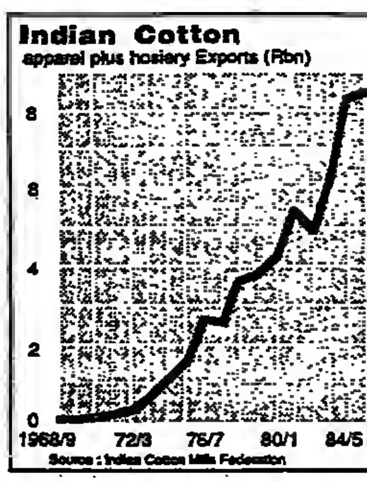
"IT'S THE MADDEST, craziest business in the world", said Ms Rani Handa, owner of Geyetri Exports, as she perspired in New Delhi'e torrid summer heat. She wearily watched illiterate tailors put finishing touches to what she calls "etraight line" women'e dresses that are now tha rage in western countries.

Ms Rani'e makeshift factory is in a narrow lane of the congested Hamayunpur village in the heart of south New Delhi. There are e dozen small rooms in two floors of a flat in which tailors and semi-skilled workers operate antiquated foot-pedal eewing machines and clutch huge scissors to cut various pieces of the printed cotten dresses Ms Rani exports to Australia.

Mr Prem Knmar Pangasa, owner of Pangasa Exports and one of India's largest garment exporters, on the other hand, runs a professional and organised factory with modern cutting and stitching machines at Sahibad, about 20 miles from Delhi.

But he spoke nostalgically of the times 17 years ago when he bought obsolete sewing machines on hire purchase and employed unskilled tailora to make the trousers he first exported. "This business needs a personal touch to make it e success", said Mr Pangasa, reminiscing.

He is among the few businessmen in the rapidly-growing Indian garments industry who have modernised his factory. Of the 8,000 manufacturer-exporters who have hullt up the industry from a turnover of just 140m rupees ($9.8m) 18 years ago to an anticipated 25bn rupees this year, nearly 80 per cent of them are in cottage industries of the kind that Ms Rani Handa runs.



Source : Indian Cotton Mills Federation


Network of cottage industries has been the motor for rapid growth

The variety of their prodncts is almost endless – t-shirts, trousers, rompers, underwear, overalls, ski suits or just about any garment needed in the west.

Most exporters make profits desplte the industry's seasonal swings and gambles. They must add to these the bureancratic hurdles of nailing a large enough quota for exports, dealing with sophisticated fashion buyers from abroad, acquiring scarce fabrics and arranging funds to finance a business that could easily end in disaster.

Yet it is this kind of small operation, usually involving farming out sub-contracts to "fabricators" and tailors working out of their homes, that is the secret of the industry's success.

"India has the fastest turnaround in the world", said Mr Dileep Chadha, a buyer representing Beeba's Creations of the US. "We discuss a sample with an exporter and within 45 days he is ready to make a shipment to any part of the world. He accepts large or small orders and he delivers on time." This is simply not possible for the computerised big-time operators in centres such as Hong Kong, Taiwan and South Korea which dominate the world garments trade: they need months of advance planning.

India is surging ahead in the trade so rapidly that the Government has found, to its surprise, that ready-made garments have become the fastest-growing item in the country's export basket.

The potential is so enormous that the Government has placed before the industry the challenging target of achieving foreign exchange earnings worth 50hn rupees in the next four years, or ehout e third of the country's exports.

There are several reasons for the boom. As well os having indigenous creative skills, India's advantages include the astonishing variety of cotton fabrics readily available. "There'e a cotton look all over the world. People want the genuine article, not the synthetics their own industries offer," said Ms Rani.

"As long as India can keep coming up with new fabrics and colours, nobody can beat us," pointed out Mr Preminder Singh, a Sikh who runs a profitable linen and garments factory bordering Delhi.

But it is cheap labour which gives India its competitive edge. Mr Mohanjit Singh of Delfin Exports said: "Wa can make garments so cheaply that foreign buyers come to us. We don't have to go to them. Their mark-up is four to five times on their bargains, giving them a huge profit."

Because of Indie'a cheap labour, it is possible to make garments with detailed work and intricate patterns without adding significantly to prices.

Ae a consequence, the garments export boom continues. Total sales abroad were worth 21.2bn rupees in 1987-88, an increase of 41 per cent over the previous year in value terms and 21 per cent in volume, maintaining a trend that started three years ago.

Faster growth is held up by trade restrictions imposed on India by the US and the European Community through the allocation of low quotas to protect their own textile industries. "Our biggest problem is quotas," said a commerce ministry official. "Without them, we could double our exports in a short time." Because of the quotas on what are known as "sensitive items," manufacturers and exporters are concentrating on increasing exports of non-quota items like belts, scarves, uniforms, overalls and the like and mnch of the garment export boom is in such mundane products.

Many believe there is little future in tha fashion trade because of the quotas and so India should concentrate on these since these are equally lucrative.

Officials recognise this and are encouraging manufacturers to find new directions, including breaking into synthetics to make blended yarn garments. One senior official said: "We have cashed in on the demand for pure fabrics like cotton but this may be e passing phase. We must be where the rest of the world is."

Ericsson in Taiwan mobile phone deal

BY BOB KING IN TAIPEI

ERICSSON Radio of Sweden has been awarded a contract worth $17m by Taiwan for the infrastructure for a cellular mobile phone system.

The deal will almost certainly lead to further contracts worth as much as $120m as the system is expanded.

The initial contract was won against fierce competition from AT&T and Motorola of the US, and Northern Telecom of Canada. An exchange will be installed in Taipei, Taichung, and Kaohsiung, and 48 base stations in those three cities and along the north-to-south Sun Yat Sen Freeway.

The system will at first have a capacity of 20,000 snbscribers, 10,000 in Taipei and 5,000 each in Taichung and Kaohsiung. There are plans to expand the capacity so that Taiwan's entire coastal plain will receive the service.

The Ericsson contract underlines the Taiwan Government's commitment to give European suppliers access to at least part of the country's telecommunications programme, due for completion early in the next century at a basic cost of $12bn.

Taiwan's policy is to buy digital-switching equipment – the major nodes of the projected system – only from companies that manufacture locally, namely AT&T, ITT, and GTE.

Now that GCE of France and Siemens of West Germany have acquired the overseas operations of the last two companies, Europe is in the running for exchanges. European suppliers can bid on related parts of the system, estimated to be worth at least as much as the $12bn outlay for the exchanges.

Ericsson operates a joint-venture engineering and manufacturing facility in Taiwan that produces the mobile phones for export. Taiwan plans to allow subscribers to purchase mobile units from any supplier that meets acceptable standards.

Sara Webb, Stockholm correspondent, writes: Ericsson has won orders totalling A$126m ($103.5m) from Telecom Australia, the Australian PTT, for its AXE equipment.

This includes an A$102m order for AXE digital equipment which will be used for new local, transit and trunk exchanges and for extending existing exchanges.

Ericsson has also won an A$24m contract to supply radio base station equipment used in the cellular mobile telephone network.

Taipei set to bolster small business links with Peking

BY OUR TAIPEI CORRESPONDENT

TRADE with China will be easier for Taiwanese businessmen if the government formally approves a Trade Board proposal to further ease restrictions on indirect trade and the establishment of branch offices abroad.

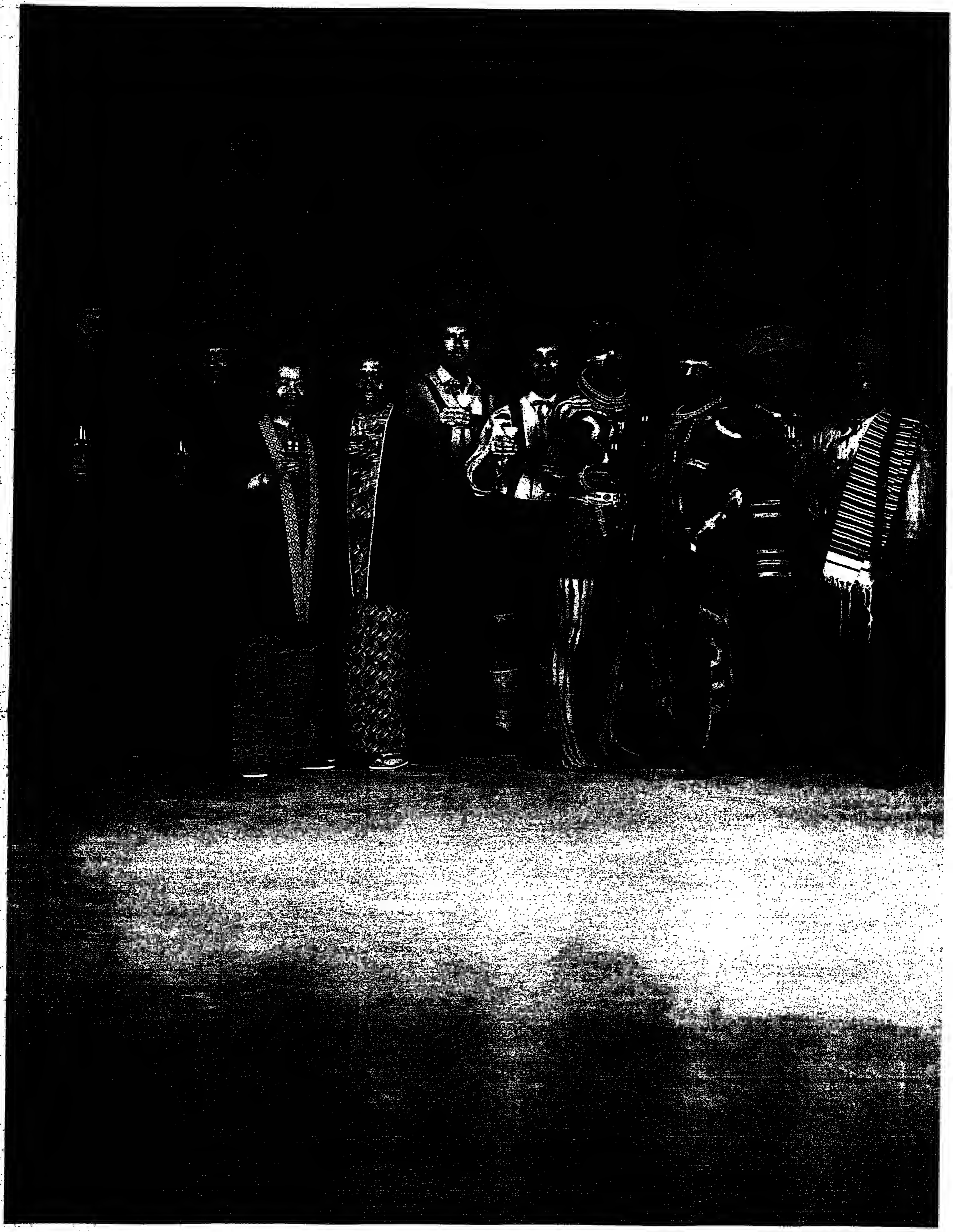
The proposal recommends easing requirements on companies wishing to set up overseas affiliatee and to allow branches to conduct trade with China – as long as the companies' names are different from those of their head offices in Taiwan.

Current regulations prohibit companies whose annual volume of imports or exports is less than $1m from setting up branchea overseas, which make it difficult for many small and medium-size businesses and traders to arrange indirect deals with China without going through a middleman.

An affiliate registered in Hong Kong whose name does not resemble that of its Taiwanese parent would, however, likely be able to trade directly with China and still maintain the facade of indirect links with Taiwan.

While the Government continues to cantion businessmen on the parils of over-reliance on trade with the mainland, the volume of that trade continues to grow, with China supplying raw materials, fishery and agricultural products, and herbal medicines, and Taiwan shipping finished goods and textiles.

Government trade figures show that Taiwan exported more than $2bn worth of goode to Hong Kong up to the end of May this year. If estimates are correct that 70 per cent of these exports are bound for China, then the mainland represents Taiwan's third-largest export market.



Since buying Hiram Walker our drink sales around the world have doubled.

Courvoisier is going down well in Japan, as are Canadian Club and Ballantine's.

Teacher's Whisky is going down equally well in South America, whilst the African markets are warming to the delights of Harveys Bristol Cream.

In all, we have a string of seven international best sellers that we are building around the world.

Added to that, our business in the United States and Europe has trebled.

All of which makes us one of the largest and most successful wines and spirits companies in the world.

Allied-Lyons.

Food and Drink to 150 countries around the world.

ALLIED LYONS

UK NEWS

GDP shows first quarter average rise of 4%

BY RALPH ATKINS

BRITISH ECONOMIC growth slowed slightly in the first quarter of 1988 but there is no clear evidence that the underlying strength of activity is flagging, the Central Statistical Office said yesterday.

The CSO estimates the average measure of Gross Domestic Product in the first three months of 1988 was 4.0 per cent higher than in the same period a year before.

Compared with the last quarter of 1987, activity was 0.7 per cent higher. This was less than the average quarterly growth rate last year but CSO statisticians believe it is too small a fall to signify a trend change.

The figures highlight the extraordinary buoyancy of UK economic growth which has spilled over from last year. In the year to the fourth quarter of 1987 the economy grew by 4.4 per cent – the highest for any year since 1973.

However, they will heighten fears that the economy is growing too fast, running the risk of inflationary pressures and a worsening trade deficit.

In the first three months of 1988 growth was particularly strong in the construction industry, with output 4.8 per cent higher than the previous quarter. Output of service industries was 0.8 per cent higher but manufacturing output was flat and energy production fell.

Consumer expenditure in the first quarter was 1.3 per cent higher in real terms than the last quarter of 1987, with spending on consumer durables especially strong.

Investment spending continued to grow strongly: expenditure on gross domestic fixed capital formation rose by 3.5 per cent in the same period.

The average GDP estimate is based on three different measures of economic activity. Earlier estimates of the output measure, which is thought to be the best indicator of short term changes, have now been revised up to show a growth rate of 5.1 per cent in the year to the first quarter of 1988.

However, there is a growing divergence between the output measure and the income and expenditure measures. In the first quarter, the expenditure measure shows a growth rate of just 2.6 per cent

MPs attack 'poor record' on defence procurement

BY DAVID WHITE, DEFENCE CORRESPONDENT

BRITAIN should consider pulling out of a four-nation European helicopter project and buying from the US instead, the House of Commons Defence Committee says in its latest report on defence procurement.

The report also recommends that the armed forces should not shy away from buying West German or US rather than British tanks if the price and performance are better. It criticises the Ministry of Defence's approach to assessing risks and expresses alarm over its capacity to monitor the reliability of the equipment it buys.

The cross-party committee says the army's requirement for a new light attack helicopter could be met by buying the McDonnell Douglas AH64 Apache rather than by proceeding with a programme based on Italy's Agusta A-129, in which the Netherlands and Spain are also involved. Westland, the UK helicopter maker and partner in the four-nation industry consortium alongside Agusta, Fokker and the Spanish company CASA, would be able to obtain "substantial" work under a US deal, it says.

The helicopter is needed to replace Westland's Lynx, mainly in an anti-tank role. France and West Germany have been working on a similar project, the PAH-2.

"We are surprised that there should be a need for yet another substantial development programme and the cost this would entail for the British defence budget," the report says. The army's requirement "should be satisfied by a programme that has only a small development content." Among the alternatives, the Apache is "an obvious choice," it says.

The committee also says it would expect the Ministry to be prepared to look overseas for replacements for the remaining 500 Chieftain tanks if either the US Abrams M1A1, made by General Dynamics, or the West German Leopard 2, made by Krauss-Maffei, shows clear advantages in price, availability and performance over the improved Challenger being proposed by the British manufacturer, Vickers.

This is despite the case to be made for safeguarding the UK's tank manufacturing capability and the associated jobs, it says. Vickers employs 800 people at its newly rebuilt Leeds factory, where the current Challenger 1 main battle tank is made.

The contract, reckoned to be worth about £1bn, is expected to be decided in the autumn.

The report calls for "a more disciplined approach" to risk assessment and more ministry funds for feasibility studies, project definition and technology demonstrator programmes. It cites deficiencies in the evaluation of risk in several projects: the air-launched anti-radiation missile (Alarm) chosen for the Tornado fighter, which it says is now some £260m over budget and several years behind schedule; the army's battlefield artillery target engagement system (BATES), which has slipped by more than two years; and the CACS 4 automated command system for the navy's new Type 23 frigates, cancelled last year.

It also finds "extremely disturbing" the Ministry's response to shortcomings in the reliability and "maintainability" of equipment. These shortcomings were crucial to the cancellation of the Nimrod airborne early warning programme in 1986 and the subsequent collapse of the three-nation SP70 self-propelled Howitzer project, it says.

Lacking the information systems needed to define the extent of the problem, the ministry "is not at present prepared to give more than lip-service to the improvement of these qualities in defence equipments," it says.

Unit trusts remain sluggish in wake of stock market collapse

BY ERIC SHORT

THE UK unit trust industry remains in the doldrums as investors remain shy of the stock market related investments after last October's crash.

Figures issued yesterday by the Unit Trust Association showed a net disinvestment in units in May of £9.5m. Gross sales of units during the month amounted to just £485.9m – some £135m lower than sales in April and only two–fifths of unit sales in May of last year, when the investment boom was at its height.

The launch of 10 trusts during the month and the buying opportunities offered by the low stock markets in May failed to induce investors from the sidelines.

Since the October crash, investors have been putting their money back into the much lower risk environment of the building societies. The average inflow of savings into building societies since October has been well in excess of £1bn a month and the figures for May, due on Friday, are expected to show this buoyant trend continuing.

The high level of redemption of units continued in May, with unit holders cashing in £495.4m worth of units in the month – £70m more than in April – resulting in the small net disinvestment in the month.

There was a net disinvestment of £12.7m last November, immediately after the crash, but before that the industry seen no disinvestment for several years.

The number of unit holders fell by 56,000 during the month to 4.98m. Even so, there are still 1m more unit holders than there were 12 months ago.

Unit sales in the first five months of this year reached a satisfactory £3.38bn. This figure is around two–thirds that for the corresponding period last year and some £200m more than in 1986.

However, redemptions to date this year amount to £2.83bn and net investment in unit trusts over the period was only £542m – only one–quarter of net investment for the corresponding period last year.

Unit trust management groups are reporting a revival in unit sales so far this month in the wake of a recovery in stock market values.

Insurers say last year 'was best of decade'

By Our Financial Staff

LAST YEAR was by far the best year that UK-based, general insurance companies have seen this decade, according to new figures from the Association of British Insurers, which represents 425 companies.

In a year when ABI members saw their worldwide non-life premiums grow 4.3 per cent to £18.8bn, their net underwriting losses fell 25 per cent to £1.056bn.

At the same time, their investment income rose from £2.526bn in 1986 to £2.625bn last year.

The figures, published yesterday at the ABI's annual press conference, showed that the industry comfortably weathered the impact of last October's hurricane, which produced UK claims expected ultimately to total more than £1bn.

As a percentage of premiums, worldwide underwriting losses were the lowest since 1980, said Mr Peter Dugdale, ABI chairman.

The results also confirmed the prevalent view that 1987 was another boom year for the life assurance industry, witnessing 19.5 per cent growth in worldwide total premiums, to £25.61bn.

Senior figures at the ABI were reluctant to give their reaction to the publication last Friday of an Inland Revenue document proposing reforms of life company taxation.

Mr Brian Corby, chief executive of Prudential Corporation, the UK's biggest life insurer, said the ABI would be "fighting hard" to ensure that any tax changes introduced would not put life assurance at a disadvantage compared with other forms of investment.

With regard to 1992 - when the European Community is due to liberalise cross-border insurance trade - Mr Dugdale said it would not represent a watershed requiring fundamental changes, because British insurers had "always had an international outlook."

Report says new laws could harm race relations

BY ALAN PIKE

ETHNIC MINORITIES in Britain continue to experience racial discrimination on a scale "insupportable in any civilised society," the Commission for Racial Equality said yesterday.

Its annual report says one cause for concern is the "apparent lack of consideration" given to the harm government legislation might have on race relations.

The Commission is worried about aspects of the Education Reform Bill, the Housing Bill, the Criminal Evidence Bill, the Immigration Bill, the Local Government Bill and the Local Government Finance Bill.

The report says: "We hope the Government will take serious account of our views and introduce appropriate safeguards."

The Commission is also urging the Government "as a matter of extreme urgency" to strengthen the Race Relations Act.

Evidence from a wide variety of sources, it says, shows that the level of racial discrimination continues to be deplorably high, widespread and persistent. "The need for legislation that works - and is seen to work - effectively and justly is now critical."

Mr Michael Day, former chief officer of the West Midlands probation service, who become chairman of the Commission this year, gave a warning yesterday that failure to pay urgent attention to racial disadvantage in education, employment and housing would again generate "the kind of stress and alienation that has erupted within our inner cities in recent years."

The report welcomes the Prime Minister's commitment to place the needs of Britain's inner cities high on the Government's agenda, but adds that wealth creation and environmental regeneration are by themselves no guarantee that conditions will improve for ethnic minorities.

"Social justice and specific policies to combat racial discrimination are decisive for the effectiveness of any strategy for the inner cities."

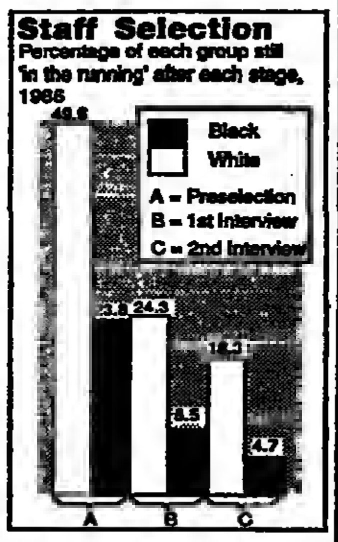
Specific aspects of draft legislation causing the Commission concern include:

● The Criminal Justice Bill. The proposed abolition of defendants' rights to challenge potential jurors in criminal trials might, it says, undermine the ability of black people to ensure that they face juries representative of a multiracial society.

● The Education Reform Bill. Extending parents' rights to choose their children's schools might result in racial segregation, while local authorities' equal opportunities policies would no longer apply in schools that opted out of the state system.

● The Housing Bill. Private agencies taking over council housing estates would not be bound by duties placed on local authorities to protect the victims of racial harassment.

● The Immigration Bill. According to the report, the bill would deprive those who settled in the UK before 1973 of their established rights to family unity, while the police would become more involved in immigration matters.



The Commission says the replacement of domestic rates - the present, property related system of local taxation - by the proposed flat rate community charge would have greatest impact in the inner cities, on households with three or more adults, and on low-income groups and the unemployed - all areas where ethnic minorities are disproportionately represented.

The report says the overall position of black people in the labour market is still far from satisfactory. "In general their unemployment rate is twice that of whites but in many inner city areas the rate is far higher. All the evidence suggests that racial discrimination is a major contributory factor to this situation."

In 1984 the Commission introduced a code of practice on equal opportunities in employment. It says that, in spite of good progress by some large organisations, reseach shows that most employers have still taken no action. Many of the equal opportunities policies which exist on paper have not been translated into action.

One of the Commission's recent investigations has been into the selection of black and white applicants for training in chartered accountancy. This showed that in 1985 white applicants were three times as likely to be successful as black ones, and in 1986 nearly four times, as shown in the chart.

The results of the research, says the Commission, constitute a "powerful argument for action by all who are involved in the graduate labour market."

The Commission has been trying for the past three years to persuade the Government to strengthen the Race Relations Act. Changes it is seeking include wider scope for formal investigations and powers to introduce ethnic monitoring in employment.

Annual Report. Commission for Racial Equality. Elliot House 10-12 Allington Street, London SW1E 5EH. £1.

French firm goes for lucrative side of death

BY PAUL BETTS IN PARIS AND FIONA THOMPSON IN LONDON

FRENCH UNDERTAKERS are seeking to arrange British funerals in an attempt to compensate for the declining French mortality rate and prepare for the single market of 1992.

Pompes Funèbres Générales, the dominant French undertaking company, has invested FFr100m (£9.4m) in the UK to acquire a 29 per cent stake in Kenyon Securities, the third largest quoted undertaking group in Britain.

PFG, which is 52 per cent controlled by Lyonnaise des Eaux, the private water distribution group, already owns interests in undertakers in Belgium, Switzerland and North Africa. It recently acquired a 35 per cent stake in a Singapore undertaking group called Singapore Casket in order "to have an eye on the Far East," according to Mr Pierre Poinsignon, chairman of PFG.

Mr Poinsignon expects the 1992 single European market will lead to a big shake-up in the undertaking business. To pre-empt this, he decided to launch his offensive on foreign markets. "Before the foreigners come to France, we want to develop ourselves overseas," he says.

PFG intends to acquire stakes in other European countries, but it is on the UK that the company is pinning its more immediate hopes. The company organised about 250,000 of the 526,000 funerals in France last year.

In France, the outlook is gloomy for undertakers. The mortality rate has been declining by about 4 per cent a year. "Each 1 per cent drop in the mortality rate leads to a 10 per cent decline in our profit margins because of the heavy fixed costs of our business," says Mr Poinsignon.

In Britain, too, the death rate has not grown since the early 1960s and statisticians predict further decline. About 600,000 people died in the UK last year, a 5 per cent drop on the previous year.

However, Mr Hervé Racine, depnty managing director of PFG, says the UK market is attractive not only because there are more funerals than in France but because profit margins are higher. Another attraction is that cremations are far more common: in Britain 70 per cent of all funerals are cremations, whereas in France the figure is just 4 per cent, or 20,000 last year.

The French offensive comes at a time when there has been a concentration in the UK undertaking business. Small, private, family owned businesses carried out 62 per cent of last year's funerals, the Co-operative Wholesale Society about 25 per cent, and three funeral directors quoted on the Unlisted Securities Market the remainder - Hodgson Holdings with 6 per cent, Great Southern Group 4 per cent and Kenyon Securities 3 per cent.

All three of these groups have grown by being highly acquisitive, buying up family-run independents that are having to sell both because the younger generation is less keen to take over and because it is becoming harder to make a single outlet business pay.

Hodgson now has 190 branches, Great Southern 126 and Kenyon 108. By virtue of their size, all the backstage services, snch as garage and mortuary, can be centralised with significant cost savings, while still preserving a personal service.

Behind the scenes, French and US undertaking groups have been supporting their respective British allies seeking to absorb the small independents. PFG backed Kenyon in its successful takeover in February of the Hertfordshire-based Dottridge Brothers. A rival bid from Hodgson Holdings was understood to have had the possibility of backing from Service Corp International, the large US undertaking concern quoted on the New York stock exchange.

Capel tops securities research league

BY CLIVE WOLMAN

JAMES CAPEL, the securities subsidiary of the Hong Kong and Shanghai Bank, has been ranked by UK institutional investors as the top securities firm for research for the ninth successive year.

The 15th annual survey of UK investment analysts carried out by Extel Financial and published yesterday, showed only two major changes in the rankings of securities firms since last year's survey.

Kleinwort Grieveson moved up from tenth to sixth position whilst County Natwest Woodmac have moved up to fifth position. The two constituent firms, County Natwest and Wood Mackenzie, which merged earlier this year occupied eighth and seventh positions respectively. Their combined vote fell from 1571 to 1281 but the total number of votes cast rose by about one third.

As a result of these two changes, the two leading UK securities firms to have been acquired by US commercial banks - Hoare Govett, owned by Security Pacific, and Citicorp Scrimgeour Vickers - each fell back two places to seventh and eighth positions respectively. James Capel was the only firm whose research overall was rated as "very good."

More than 230 investment managers were asked to complete the survey, of which 98 responded, a 43 per cent rate, compared with only 32 per cent in 1987. The survey covered 63 market sectors, including 18 which related to overseas markets.

The 98 investment managers who responded were responsible for managing £325bn of funds and were drawn from insurance companies (34 per cent), pension funds, investment and unit trusts, investment banks and independent advisors.

A new section in the survey was the introdnction of five industrial sectors in which analysts were rated on their global, not just UK, research.

Mr Keith Brown and his team at Morgan Stanley, the US investment bank, was voted top of the global banking sector, the Barclays deZoete Wedd team top for chemicals, Phillips and Drew was top for motors, James Capel for oils and Warburg Securities for pharmaceuticals.

Barlow Clowes small investors meet in Manchester tomorrow

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

AT LEAST 600 people are expected to attend a meeting tomorrow in Manchester Town Hall, called by Alexander Tatham, the solicitors co-ordinating joint action to retrieve investors' money from the closed-down Barlow Clowes fund management companies.

Tathams have had four staff working full time on inquiries this week and so far more than 700 investors have consulted the firm. The figure is expected to be well into four figures by tonight, according to Mr Anthony Gold, a Tatham partner.

The indications are that the town hall will be full. Between one-third and one-half of those expressing an interest intend to be there, with most bringing at least one relative or adviser with them. The hall's capacity is 800 people. Some investors will be travelling several hundred kilometers for the meeting, which starts at 3 p.m.

Mr David Pine, the partner leading the case, said yesterday that he was also looking closely at the planned compensation fund to be set up by Fimbra, the Financial Intermediaries, Managers and Brokers Regulatory Association. This does not start up until August and is not expected to be available to Barlow Clowes clients seeking redress against their intermediaries.

The question Tatham is asking is whether any intermediaries who go out of business or are suspended because of the Barlow Clowes affair - but after the compensation fund's August launch date - will be covered by it in respect of proceedings against them.

Date set for hearing on IRA deaths

BY JOE GARCIA IN GIBRALTAR

THE GIBRALTAR coroner announced yesterday that a preliminary hearing would be held on July 4 into the shooting by British security forces of three IRA terrorists in March.

Mr Felix Pizzarello, the coroner, acceded to a request for a preliminary hearing from counsel acting for the British Ministry of Defence.

Government officials in London said that the hearing, which would be held in open court, would discuss procedural matters, including whether soldiers from the SAS or other security forces would be called to give evidence.

The hearing is also expected to set the date for the full inquest, which will probably be held in September. No jury will be called for the preliminary hearing and no evidence taken.

The inquest originally set for June 27, was postponed in May because an international arts festival was due to start on June 24.

The three terrorists, Danny McCann, Sean Savage and Mairead Farrell were shot in Gibraltar after joint intelligence by the Spanish and British indicated they were on an operation to bomb an army parade on the colony.

هكذا من الأصل

UK NEWS

Peter Bruce and Joe Garcia in Gibraltar report on the scandal's impact

Clowes storm batters the Rock

THE ROCK HOTEL is still the classiest joint in Gibraltar. Sitting up above the town, it commands a wonderful view of the Bay of Algeciras and on a clear day one can see right across the Straits to North Africa.

There is simply nowhere else in the colony to have the right kind of party. And in the summer of 1986 a particularly memoreble one was held. It was intended to celebrate a decision by Barlow Clowes International, the flourishing British-owned gilts fund, to move its international headquarters from Geneva to the colony.

Many of Gibraltar's elite were there. The newly-arrived group announced a scholarship for young Gibraltarians and was roundly applauded for its foresight and commitment.

But things went badly. BCI has collapsed with liabilities of some £138m to 11,000 investors, many of them Gibraltarians, who had invested their savings in what they believed to be British Government securities.

The affair has dealt a severe blow to Gibraltar's growing confidence as an offshore financial centre of quality. "Everyone was pretty chuffed," remembers Mr Joe Bossano, Gibraltar's new *Chief Minister*, at BCI's arrival, "and [the collapse] makes you feel like a bit of a wally."

The Chief Minister's Gibraltar Socialist Labour Party (GSLP) was not in power when Mr Peter Clowes first brought his group to Gibraltar. Having won last March's election, however, he has inherited this particular mess to clean up.

Gibraltar has become a haven from which to offer financial advice to foreigners living along the adjacent Costa del Sol. But, warns Mr Clive Robinson, head of James Capel's Gibraltar operatioo, "We now expect to see much more discerning investmeot – a flight to quality."

Perhaps. But presently there is real bitterness here at Britain's role in clearing BCI to operate on the Rock and bringing apparent dishonour upon Gibraltar's head.

The colony, lacking the expertise to clear the hundreds of offshore financial entities that have flocked here in the past 20 years and especially since the border with Spain was reopened in February 1985, relies on the Department of Trade and Industry in London for much of its detective work.

BCI was licensed to operate here after consultation with London and, apparently, some two years after the British Government first began to regard the Clowes group with some suspicion.

"Rightly or wrongly," says Mr Robinson, "this will reflect badly on Gibraltar's stability as a financial centre. There must be an element of disappointment among the local authorities as to the lack of help from London."

There is much at stake. The finance companies and banks – inclnding 3,000 tax-exempt ones registered here – have become an important part of the Rock's economy, after tourism and its commercial dockyards. They hire skilled labour and have contributed to sharp rises in the cost of some services. More important, they have lent the Rock a modern world image.

Furthermore, the greater Gibraltar's success as a financial centre, the more difficult – so locals reason – digestion by Spain will become. The Rock's present discomfort has delighted the Spanish Foreign Ministry.

So, says Mr Michael Davidson, Gibraltar manager for Barclay's, the biggest bank here. "We have got to have some sort of supervision over the cowboys."

Mr Louis Triay, a former politician and lawyer, agrees. "We have got to introduce legislation to create a regulatory body," he says. It was Mr Triay, as Trade Minister in 1967, who introduced *the Companies' Taxation Ordinance* that permitted the establishmeot of offshore companies here in the first place.

BCI was not, in fact, operating as a tax-exempt company. Tax collection here is so poor that it may often be more profitable to forfeit tax exemption and so be allowed to do business with the Gibraltarians as well. About £1m of the missing BCI money was collected from locals and another £7m, it is believed, from the Costa del Sol.

Although he seems to have the support of the main institutions on the Rock, Mr Bossano has few effective weapons at his disposal. "My tax department can't chase 22,000 companies [the total registered in Gibraltar]," he says.

He has asked for the DTI inquiry into Barlow Clowes to be extended to Gibraltar as a damage control measure, but his legislative alternatives are few. In September, he plans to introduce an emergency measure to allow the Gibraltar Government to appoint inspectors to look into any company reported to be acting unethically. He also wants to form a body of self-regulators to watch over the industry.

Mr Bossano insists that the Barlow Clowes affair has not made Gibraltar any less safe than it ever was. Investors, he intones, "need to be reminded that 'you can't get something for nothing': the more out of line an investment is with the market the more suspicious you should be."

He could raise the £5 a year registration fee paid by tax exempt companies to £50 or £100 to pay for tighter policing. However, licensing could equally prove connterproductive if the label 'Licensed by the Government of Gibraltar' was abused by unethical fund managers and financial advisers.

How much Mr Bossano can do on his own is debateable. He is trying alone to do much of the restructuring of the way Gibraltar is run. But he is hugely popular and suddenly it seems that everyone in the colony has become a "pragmatic Socialist."

Perhaps the Clowes affair really will blow over Gibraltar and leave it untouched as an enduring symbol of stability and security. However, right now it needs friends.

3i unit to offer support for management 'buy-ins' trend

BY CHARLES BATCHELOR

3i, FORMERLY Investors in Industry, has set up a special 12-strong unit to meet the growing interest among managers and the owners of unquoted companies in management buy-ins.

Unlike buy-outs, in whicb the existing management of a company acquire control, buy-ins are staged by an outside management team which comes in with the agreement of the existing owner. Sometimes buy-in teams replace the existing management; sometimes they strengtheo it.

A total of 75 buy-ins took place in Britain in 1987, a sharp increase on the 44 completed the year before, according to research carried out for 3i. This compared with 335 buy-outs in 1987, an increase of 23 on 1986.

3i plans to create a register of about 200 managers available to carry out buy-ins.

It will select individnals from the hundreds of curriculums vitae which are sent in and also from managers identified by its regional offices.

Once managers have registered they will take part in courses to help them determine the qualities they should look for in a target company and devise realistic business plans.

They will also be provided with financial data on target companies, details of ownership, and local market intelligence.

Mr Richard Summers, head of the buy-in unit, said, however, that he did not intend to back aggressive approaches to potential target companies. Deals would be done with the existing owners' agreement.

Target companies and vendors would be offered advice on planning management succession, growth and any other problems.

3i would help them build up a profile of the new management they should be seeking and help devise financial arrangements to attract suitable candidates.

Road accident rate is 'one of lowest in world'

By Kevin Brown, Transport Correspondent

GREAT BRITAIN has the lowest road accident death rate in the European Community, according to a report published yesterday by the National Audit Office.

The report says more than 5,000 people were killed on the roads last year, and 303,000 injured.

Each individual has a one in ten chance of being killed or seriously injured, the report says. The total cost of road accidents is estimated at £3.8bn a year.

However, both the number of accidents and the casualty rate have fallen by 22 per cent since 1965.

MANAGEMENT

Corporate strategy

How to raid yourself before others do

Jack Murrin suggests a range of ways to liberate latent value

ALL OVER Europe chief executives are now facing, with a mixture of fascination and dread, a wave of takeovers. They know that when the lines come off the economic map in 1992, the drive for economies of scale and for presence in local markets could increase the incidence of hostile acquisitions even further. What can chief executives do to safeguard their companies against being taken over (and themselves and their colleagues from being supplanted by new management)?

The first step toward a plan of action is to recognise what motivates raiders: the prospect of capturing or creating value, and profiting thereby. They try to identify companies that they can acquire at a premium over current market value – and from which they can still make a hefty return, by taking advantage of opportunities that current managers have not pursued. Companies that do not present such possibilities do not show up on the raider screens.

What this means for current managers can be expressed as a variant on the golden rule of "do unto yourself before others do unto you". Managers need to examine their companies as raiders might – searching for ways to generate value – and then they need to act, swiftly and without looking back, on the opportunities they find. The managers who will thrive in the Europe of the 1990s are the ones who have the insight to think like raiders and the will to reshape their companies.

One precept is fundamental to this: that in the domain of value, cash is king. Specifically, the determinant of value is not earnings per share or any of the other handy ratios that stock analysts and journalists often cite; it is, plain and simple, free cash flows – operating cash flows minus taxes and what is needed for reinvestment to sustain a company.

Individual businesses, assets, or modes of financing create value only to the extent that they contribute to free cash flows; conversely, they can actually destroy value if they detract from cash flows. Indeed, the rigorous analysis of a company's cash flows can turn up surprising results: seemingly profitable activities that diminish, rather than enhance, the company's value, and apparently lacklustre businesses that contribute a great deal to it. And such analysis can help to identify initiatives that managers can take to build value – for the providers of capital, employees and other stakeholders.

Consider a real case: about a year ago, McKinsey helped a large company – let us call it the E.G. Corporation – look at itself as a raider would. The company had a stock market valuation of about $1.5bn (not really: in this discussion, all the numbers have been altered to mask the identity of our client, but by a constant factor so that they are in their original proportions to one another).

Based on the present value of future cash flows from the company as it was being operated, the company was not undervalued by the market; for a raider to make money by acquiring it, he would have to make aome changes. We set about assessing the opportunities presented by each of the company's five divisions.

Improvement

● Division 1 was in a strong competitive position in a growing industry; it had a share of more than 50 per cent in some market segments, higher margins than its competitors, and significant technological advantages. But there was still room for improvement: we estimated that a raider (or the company itself) could add nearly $290m to tha division's (and the company's) valne by improving productivity, focusing the product line, and consolidating manufacturing facilities.

● Division 2 was, in a sense, too big for its business. The optimal scale for operations in its industry was smaller than E.G.'s; not only did the technology of the business allow smaller companies to undercut E.G.'s prices, but E.G. was not as well-positioned as local and regional outfits to provide the customisation of products that buyers wanted. It was no wonder that Division 2's financial performance was below average for its industry.

But these circumstances, unpropitious for Division 2 as it was being run, were auspicious from a raider's perspective. By improving labour productivity, which stood at half the industry average, decentralising management and cutting overhead costs, an acquirer could increase the value of Division 2's plants by more than $180m – and realise that increase, plus a $30m tax benefit, by selling the plants to local managers or others.

● Division 3 was in an industry that was growing slowly, and within that industry it was performing poorly. Its facilities were outmoded, and its operating margins were about 85 per cent below the industry average. In short, this was a division in trouble. But to a raider, the flip side of trouble can be opportunity: the division could be sold to another player in the industry, which, by filling out Division 3's product line and exploiting its own customer relationships, could do more with Division 3 than E.G. could. We estimated that the sale of Division 3 could generate about $50m in incremental value.

● Division 4 was turning in a mediocre performance in a lacklustre industry. Its organisation was complex and inefficient, and it had a proliferation of brands and products, many of which had not canght on. A raider could make a quick $110m or so by selling the division to a strategic acquirer in the industry, who could streamline the organisation and develop a unified brand image.

● Last, and in fact least, Division 5 was essentially unrelated to E.G.'s core business; its technological capabilities and its products were not distinctive in its industry; and it had been yielding operating returns well below the industry average. By selling this relatively small division to one of its competitors (or to the division's management), a raider could realise a gain of about $10m.

Still wearing our raider's cap, we found other steps that a raider could take to fill his coffers, such as selling E.G.'s underutilised real estate, increasing its debt to capital ratio from 20 per cent to 50 per cent, and reducing corporate and divisional overheads. This last step alone could generate about $225m in additional value for E.G. (Far too few companies recognise bow great an impact cuts in excess overhead can have on value – or, as a corollary to thet, how important it is to focus the corporate centre on tbose functions that genuinely improve a company's competitive position. See "Why parents must be more particular", this page, Friday June 17). By the time we took that cap off, we had identified value creation opportunities totaling abont $1.2bn – on a base of $1.5bn.

Admittedly, tbese numbers were estimates, subject to qualifications and contingencies. But the decisions that raiders make about about which companies to go after are driven by similar estimates, and by their projections of how much money they can cart away from deals. Based on calculations too involved to discuss bere, our best judgment in this case was that a raider could pay a 30 per cent takeover premium and still make a profit of about $400m on an equity investment of $300m.

For the executives of E.G. , this exercise was a warning – but it also presented a challenge and an opportunity. Most of the value that a raider could capture, about 80 per cent of it, could be secured by current management through operating improvements in the company's divisions, reductions in corporate overhead, and the sales of some businesses and assets. If E.G.'s management took these steps, the company would be a much less attractive target for raiders – indeed, it might not be appealing at all, given that raiders would have to pay a 30 per cent premium to obtain control of E.G. (in fact, E.G.'s management *has* acted – and the price of the company's stock has moved up dramatically).

But the lesson is not just that the best defence against raiders is to go on the offensive; it is also that current managers have, in many companies, the chance to create enormoua value for the shareholders and employees they serve and serve with. That is wby raiders can operate in the first place. But it should be the central mission of top managers, whether they feel threatened by raiders or not, to generate value for stakeholders. And if that means thinking like a raider from time to time, so be it.

Jack Murrin, formerly in the London office of McKinsey & Company, is now a partner in New York and co-directs the consulting firm's world-wide corporate finance practice.

Marketing

A suitable Case for treatment

Nick Garnett on the heavy machinery maker's promotional move

A FASHIONABLE designer label it most certainly is not but it does sells products. In the past three years, Case, the big US farm tractor and earth-moving machinery maker has been using its own brand name to sell a range of products from lubricants and radios to toys and clothing.

Having Case scrawled across the front of your country jacket might not suit all tastes but in the farming and semi-rural communities the company is reaping the cash benefits of a brand name that for a long time has meant a great deal in mechanical hardware.

Most of the main tractor makers are going down the same road. Case, part of the Tenneco group, has taken this further than any other company, setting up its own "shops" selling front-of-counter goods at its main dealer sites in North America and Europe. In the UK alone, sales of these Case branded products are worth several million pounds a year.

Stroll into the straggling Gloucester site of West Midlands Farmers, a farmers' co-operative and dealer for Case tractors and you get an idea of what is going on.

The Gloucester retail complex sells a huge variety of goods from Hunter wellington boots, Lee Cooper jeans and Gola trainers to Bulldog spades, Eley gun cartridges and Simplicity garden tractors.

But over in one corner is an area dedicated almost solely to Case branded products, stacked up on racking systems provided by the tractor maker. Most of the products are branded Case with the Case logo though they are all produced by mainline manufacturers.

Case radios are made by Radiomobile, Case oil by Silkolene, and many of the toys by the US company, Ertl. The big red Case pedal tractors are made by Falk in West Germany. Wrangler produces the jeans for Case.

Why bother doing this? Well, the answer is that Case makes money out of its front of counter operations and believes that spreading the brand name might eventually help sell a few more tractors.

It is a little ironic that Case makes money out of selling accessories on the back of its name as a maker of equipment for which it makes a thumping loss. Case IH, Tenneco's combined farm machinery and earthmoving equipment division slid back into an operating deficit of US$259m last year after struggling to a break even position in 1986.

That performance is believed to have precipitated the resignation late last year of Jerome Green, Case president and chief executive officer since 1979 and the departure of some other senior managers, including marketing director John Borden.

The company, which is completing a major plant and component rationalisation programme is predicting a much smaller loss for this year. But in the distressed farm machinery market, no company is going to turn its back on making a few extra pennies from subsidiary lines of activity.

In the UK alone, Case has retailed 15,000 items of clothing during be past year and since introducing its own label radios last year has sold 5,000 of them. Case-branded lubricants were introduced in 1985 and the company expects sales of these to amount to 2m litres this year. General tools were brought in at the end of last year and sales of these are now averaging £35,000 a month. Dealer sales of paint, lubricants and many other products have risen significantly following the policy of Case branding, the company says.

Case does not make on its merchanted goods the same margins of around 35 per cent it achieves on its spare parts for tractors. But Bill Smith, a Case salesman for front of counter products says that the Case margin is still around 15 per cent.

"We are conscious that we have to price them correctly. We recommend a retail price at a sensible level and it is up to the dealer then to fix the sales price to the customer."

Hard-nosed farmers look to buy their tractor on the basis of cost. Nevertheless, Smith says the sale of branded goods helps with repeat sales. "If you enhance your image then you encourage people to come back for another tractor. It will sell more tractors in the long term."

Business courses

EC 1992 The changing face of European banking. June 30-July 1, London. Fee: £475 plus VAT. Details from Conference Organiser, Business Research International, IBC House, Canada Road, Byfleet, Surrey KT14 7JL.

The fundamentals of finance and accounting for non-financial managers. July 11-15, Brussels. Fee: BFr 91,000 (non-members) and BFr 81,900 (members). Details from Customer Service Department, Management Centre Europe, Postbus 95, NL-3417 ZH Montfoort, The Netherlands.

The executives guide to computer integrated manufacturing. Aug 26-27, Glasgow. Fee: £550 plus VAT. Details from the Course Co-ordinator, The Strathclyde Institute, Exchange House, Glasgow G1 1RX. Tel: 041-552 4011.

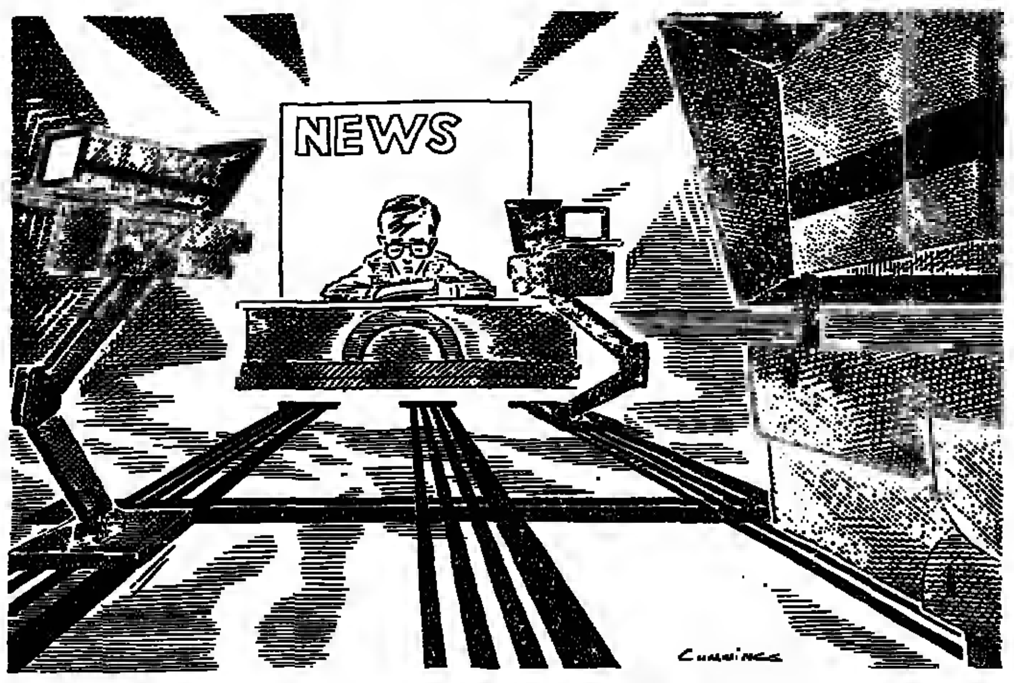
Managing the design resource. July 4-6, Egham, Surrey and July 25-27, Witney, nr. Oxford. Fee: £850 plus VAT. Details from Conference Administrator, Design Management Short Courses, Kingston Business School, Kingston Hill, Kingston upon Thames, Surrey KT2 7LB, Tel: 01-549 1141.

Strategic Direction – a workshop for creative change. June 29-July 1, Uxbridge, Middx. Fee: £525. Details from Programme Secretary, Management Programme, Brunel University, Uxbridge, Middx UB8 3PH, Tel: 0895-56461.

Time management for secretaries. September 7-9, Munich. Fee: BFr 68,000 (non-members), BFR 61,200 (members). Details from Customer Service Department, Management Centre Europe, Postbus 95, NL-3417 ZH Montfoort, The Netherlands.

Tomorrow's opportunities. September 28, London. Fee: £230 plus VAT for single bookings to end June and £250 plus VAT thereafter; £175 plus VAT for 4+ bookings to end-June and £195 plus VAT thereafter. Details from KAE Developments, KAE House, 7 Arundel Street, London WC2R 3DR, Tel: 01-379 6118.

TECHNOLOGY



Robots focus on the news makers

Clive Cookson explains why the unmanned camera is working its way into television studios

WHEN Tom Brockaw presents the Nightly News on NBC, one of the big three US television networks, he no longer sees a human face behind any of the three cameras in front of him. In NBC's new "robotic" studio, the unmanned cameras are mounted on a rail system that allows the control room operator to move them into place for any conceivable shot.

Although other broadcasting organisations have some remotely controlled studios, NBC believes that it runs the only major news studio with mobile cameras and no cameramen. Bobby Lee Lawrence, NBC's engineering manager, says he and his colleagues "went round the world" looking for companies that could supply a robotic control system for the New York studio.

Both shortlisted tenders came from British companies – Radamec, based in Chertsey, Surrey, and Vinten of Bury St Edmunds, Suffolk. Radamec won the $750,000 contract in June 1987 and met NBC's tight timetable to have the system running and fully tested by March of this year.

The two UK companies were shortlisted again last year when WPIX, one of New York's leading independent television stations, wanted an automated studio for its main news programmes. Vinten won the order in December and, according to Richard Slenker, director of technical operations at WPIX, the system was installed and working smoothly three months later.

Like NBC, WPIX has three unmanned studio cameras which can pan, tilt, zoom, focus and move up and down on a pedestal, under the control of a single operator, but they do not have the additional mobility of NBC's rail system.

Remotely controlled and robotic television systems are a market niche dominated by the two UK companies. Bobby Lee Lawrence says, on the basis of NBC's experience, that industrial robotics companies might find it hard to break into this niche. For example, they are not geared up to make a system that would operate with the silence required in a television studio. Radamec produced a special polyurethane material for the wheels of NBC's robotic cameras, which is hard enough to withstand repeated use, but soft enough to deaden vibration or noise from the moving cameras.

The primary reason for installing the robotic studio was to reduce staff costs, Lawrence says. The system eliminated four camera operators' jobs and, since an average cameraman in New York City makes $100,000 (£56,000) a year, it should pay for itself in less than two years. He admits, however, that some of the presenters miss the friendly conversations they used to have with the camera operators before the programme and during commercial breaks.

In the UK, Radamec has installed an unmanned studio at Westminster, in London, for Independent Television News (ITN), which is controlled from ITN House two miles away. ITN is now preparing to automate its main studios, according to Philip Marter, head of engineering projects. As at WPIX, there will be no cameramen on the studio floor and all camera movements will be carried out from the control room.

Barry Goldsmith of Radamec says his company recently signed an exclusive agreement with Basys, a subsidiary of ITN specialising in newsroom computer systems, to integrate the studio computer (controlling the cameras and lighting) with the news system (handling the journalists' scripts).

Apart from studios, the main application of remotely controlled systems is in televising the proceedings of legislative bodies. Radamec's systems are working in the US Senate and House of Representatives, the Swedish, Norwegian, Canadian and Moroccan parliaments and the Ontario legislature. Vinten has equipped the Swiss parliament, the Saskatchewan legislature and – the biggest order so far – the new Australian parliament building in Canberra, which will have a total of 35 cameras when it is finished later this year.

The two companies are now preparing to compete on home territory for a job which will mean more for their pride than any overseas parliament: televising proceedings at the House of Commons. Although MPs voted in February to allow cameras into the House, they have not yet decided which broadcasting group will get the Commons franchise, if any.

The BBC and Independent Television News (ITN) have submitted a joint proposal in competition with a dozen independent production companies. Some MPs, however, are keen for the House to set up its own broadcasting unit.

But there is general agreement that, whoever is responsible for broadcasting the Commons, the cameras will have to be operated by remote control. And that means using either Radamec or Vinten equipment.

Although the House of Lords is televised by three conventional manned cameras, there is not enough room for cameramen in the more cramped Commons chamber. The plan is to have seven remotely controlled cameras – three on each side of the chamber and one at the end pointing at the Speaker's chair.

The House of Commons presents a greater technical challenge than other legislatures. This is partly because the Commons debating style is faster and less predictable than elsewhere and partly because MPs do not have predetermined seats on the benches.

In other chambers, members are required to speak from a set position. Some, such as the US Senate, have a rostrum for speakers. Others, such as the Australian and Canadian legislatures, give each member a fixed seat with its own microphone.

In the Australian parliament, for example, a member's microphone is not switched on until he is called by the Speaker. The system then automatically switches on the camera best placed to film that particular MP. The Australian system can run under full computer control, without anyone in the control room, to provide an archival record of proceedings – a television version of Hansard. However during potentially newsworthy debates, when the output might be required for broadcasting, there will be a human operator with the power to over-ride the automatic selection of shots.

The unpredictability of the Commons means that at least one human operator will always be required to ensure that a camera covers every MP who rises to speak. Radamec and Vinten are discussing with BBC/ITN and the independent contractors what technology will be needed to provide a rapid response. "We're talking about a reaction time of about a second for a camera with a computerised direction finder," says Philip Whitehead, the former Labour MP and television producer who is associated with one of the independent organisations bidding for the Commons contract.

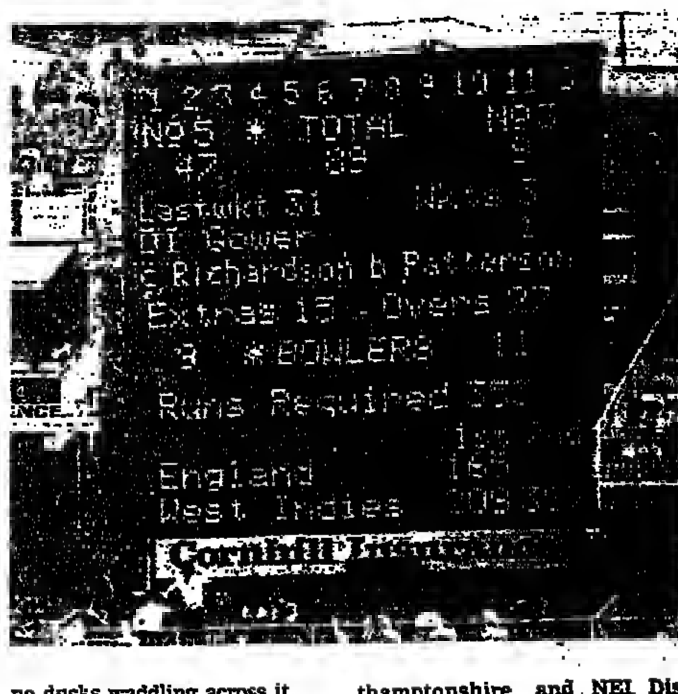
Although the various groups are reluctant to reveal their technological tricks before explaining them to the select committee on televising proceedings, it is possible to outline a quick response system for the Commons. The operator will view the proceedings through a wide-angled camera and as soon as he sees someone rising to speak, he will pinpoint that MP's position on a computerised plan of the House.

Peter Wayne of Vinten says this could be done by moving a "mouse" over an electronic "palette" (which would reduce the chamber to the area of two A4 sheets of paper) and pushing a button when the mouse reaches the MP's position. Alternatively the operator could touch the required position on a touch-screen. The computer would immediately activate the camera which can provide the best shot of someone speaking from that position.

The original timetable was for televised proceedings to start – for an experimental period of six months – with the state opening of parliament in November. But it now seems unlikely that the cameras will roll before next year.

Paul Abrahams looks behind the electronic scoreboard at Lord's

Where the sorry facts are displayed all too clearly



AS ENGLAND finally succumbed against the West Indies pace bowling yesterday, cricket lovers at Lord's could see the sorry details all too clearly.

The reason for that clarity was a new £250,000 electronic scoreboard, next to the Old Tavern, installed by Varitext Displays, based in Newport, South Wales.

The board is unusual because it does not use the electric light bulbs normally associated with electronic systems. These can be difficult to read in strong sunlight – in other words on those admittedly infrequent days with perfect cricketing weather.

Instead, the new 8.4m by 8.4m scoreboard uses 14,400 discs, black on one side and white on the other, which are individually controlled by a computer. Letters can be up to 45cms high.

Each run is entered by a scorer on to an Amstrad microcomputer which automatically alters the scores of the batsman and his team. During England's second innings, it also calculated the all too numerous runs required for victory. The computer sends a 12-volt pulse for two thousandths of a second to electro magnets behind the discs, which turn them to give the score.

A separate computer has also been installed to provide cricketing details, such as the number of Test runs scored by an individual or the number of wickets taken.

The board can produce any configuration, so that pictures, sponsorship logos, advertisements and public information can be digitised on to the computer and then displayed.

Brian Hyde, managing director of Varitext Displays, says the board can even provide moving pictures, though he admits they are a little jerky. He has promised the MCC that there will be no ducks waddling across it.

Hyde says the day to day cost of the electro-magnetic system is minimal, whereas 25-volt light bulbs have to be replaced, on average, every 2,000 hours.

Similar systems have found a wide variety of applications. Varitext says that its boards have been used to display anything from the temperature in aluminium smelters in the Middle East to petrol station prices.

The Japanese have shown a particular interest. Honda, in Swindon, and Panasonic, in Cwmbran, have installed boards that compare the number of goods produced with the weekly targets.

Other manufacturers of such systems include Voltron, in Northamptonshire, and NEI Displays, a subsidiary of Northern Engineering.

NEI has recently provided 17 signs for the M4 and M5 motorways which warn drivers about traffic and weather conditions. Information is sent via telephone lines to the display boards, which can give far more detail than the previous advisory speed limits.

Stephanie Laight, an administrator at NEI, says that its boards, which have a choice of fluorescent colours, can also offer advice to motorists on how to avoid traffic jams or fog.

NEI boards have also been installed in the London Financial Exchange, Sotheby's, the art dealers, and at the ground of a first division football team.

A more direct way to contact people with pagers

INTER-CITY Paging, a London company that provides nation-wide radio paging services, is now offering direct dialling of pagers from any telephone. A holder of a pager unit can be contacted by dialling a number allocated exclusively to that unit.

The paging calls no longer go through a central operator. Instead a synthesised voice acknowledges acceptance of the call before transmission to the pager, the process takes just a few seconds.

The unit is activated in the usual way. The holder is alerted through bleeps or other tone signals or, on some models, short visual messages which tell him or her to take a pre-arranged action, such as "ring the boss".

Inter-City also offers a service called Auto-Message. Once again, a specific number is dialled, but in this case a predetermined routine message is sent from an electronic store for reception by pagers with visual displays.

The company can be contacted in London on 803 1466.

Geoffrey Charlish

Company Notices

CANADIAN PACIFIC LIMITED

At a meeting of the Board of Directors held today, the following dividends were declared:

ORDINARY SHARES

A quarterly dividend of fifteen cents (15c) Canadian per share on the outstanding Ordinary Shares, payable on July 28, 1988, to holders of record at the close of business on June 27, 1988.

PREFERENCE SHARES

A semi-annual dividend of 2% per Canadian Dollar Preference Share and 2/3 pence per Sterling Preference Share on the outstanding Preference Shares in respect of the year 1988, payable on July 28, 1988, to holders of record at the close of business on June 27, 1988.

BY ORDER OF THE BOARD,
D.J. DEEGAN
VICE-PRESIDENT AND SECRETARY
MONTREAL, June 13, 1988.

Clubs

Eve

Has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

Legal Notices

NOTICE OF APPOINTMENT OF LIQUIDATOR PURSUANT TO SECTION 109 INSOLVENCY ACT 1986

Name of Company: Drayton Japan Finance Limited
Registered number: 1625333
Previous name(s):
Liquidators' names and address: John Alfred George Alexander, Peat Marwick McLintock, 1 Puddle Dock, Blackfriars, London EC4V 3PD
Date of appointment: 14th June 1988
By whom appointed: Members

NOTICE OF APPOINTMENT OF LIQUIDATOR PURSUANT TO SECTION 109 INSOLVENCY ACT 1986

Name of company: Drayton Japan Trust Plc
Registered number: 133465
Previous name(s):
Liquidators' names and address: John Alfred George Alexander and Christopher Timothy Esmond Hayward
Peat Marwick McLintock
1 Puddle Dock
Blackfriars
London EC4V 3PD
Date of appointment: 15th June 1988
By whom appointed: Members

FT LAW REPORTS

Container case is set aside

RIVER RIMA
House of Lords

THE ADMIRALTY Court has no jurisdiction to hear an action in rem against a ship in respect of an agreement for the supply of containers to shipowners, unless the the ship on which they are to be used is specified in the contract or at time of performance.

The House of Lords so held when dismissing an appeal by Nigerian National Shipping Line Ltd (NNSL), owners of the River Rima, from a Court of Appeal decision *[1987]2 FTLR 192*, setting aside an action against the ship and her arrest by Tiphook Container Rental Co.

LORD BRANDON said that Tiphook's business was the renting of cargo containers. NNSL owned and operated a fleet of ships designed to carry dry cargo and containers, known as "combo" ships, one of which was the River Rima.

On March 9 1987 Tiphook began an action *in rem* against the River Rima, and arrested her. The claim endorsed on the writ was for damages for conversion of " containers supplied to the River Rima and/or other ships" under a lease agreement, and for failing to maintain them in good order and repair.

NNSL, as owners of River Rima, applied to set aside the writ and arrest , on the ground that Tiphook'a claim was not within the Admiralty jurisdiction of the High Court.

Mr Justice Sheen declared that the claim was within the court's jurisdiction, by virtue of section 20(2)(m) of the Supreme Court Act 1981. The Court of Appeal allowed an appeal by NNSL and set aside the writ and arrest. Tiphook now appealed.

The lease agreement provided for the hiring of cargo containers from Tiphook by NNSL as required by NNSL from time to time. It incorporated Tiphook's standard terms and conditions of business.

Containers were to be collected by NNSL from and re-delivered to depots run by Tiphook throughout the world. Rent was to be calculated on a daily basis. Containers were to be supplied in good order and condition, and were to be maintained and re-delivered by NNSL in like condition.

The hire of each container was to be treated as a separate contract.

There was no provision that the containers hired should be used for the carriage of cargo by any of NNSL's ships, specified or unspecified.

NNSL's evidence was that the leased containers had been used by another company, and were for the convenience of the various shippers who utilised NNSL services.

It was clear from the evidence that when NNSL agents took delivery of any container from Tiphook's depot, Tiphook did not know on what ship, whether owned by NNSL or some other shipowner, it would ultimately be carried.

The Admiralty jurisdiction of the High Court, and its exercise *in rem* were governed by sections 20 and 21 of the Supreme Court Act 1981. Section 20(2)(m) provided that the Admiralty Court had jurisdiction to determine "any claim in respect of goods or materials supplied to a ship for her operation or maintenance".

The claim endorsed on the writ was framed as a single claim, relating to an unspecified number of containers. The claim must be treated as comprising a series of *separate claims* relating to each of the containers alleged to have been converted or not properly maintained.

The main question therefore, was whether, having regard to the terms of the leasing agreement and the procedure followed by the parties under it, each of the claims relating to individual containers was a "claim in respect of goods or materials supplied to a ship for her operation or maintenance" within section 20(2)(m).

It was clear that paragraph (m) contemplated a contract of supply, whether by sale or hire, between te claimant and a shipowner. But the expression used was "supplied to a ship", and not "supplied to a shipowner".

There were two main kinds of contract pursuant to which goods or materials required for the operation of a ship might reach her.

The first was a contract which expressly provided that the goods or materials were required for the use of a particular ship, the identity of which was specified in the contract or would be specified by the time it came to be performed. The second was a contract which contained no reference to a particular ship, leaving the shipowner to make his own decision about that later.

The first kind of contract was a contract under which goods or materials were "supplied to a ship" within the meaning of paragraph (m). The second was not a contract for goods or materials to be "supplied to a ship". It was no more than a contract for the supply of goods or materials to a shipowner, and as such did not come within paragraph (m).

In the present case the series of contracts made between Tiphook and NNSL for the hire of individual containers were not contracts of the first kind, but of the second kind. It followed that the claims did not come within paragraph(m) and were therefore not within the Admiralty jurisdiction of the High Court.

That conclusion was reached solely on the basis of construing the words of paragraph (m). It was however, strongly supported by consideration of the paragraph's historical background.

Paragraph (m) was derived, through section 1(1)(m) of the Administration of Justica Act 1956, from article 1(1)(k) of the International Convention for the Unification of Certain Rules relating to the Arrest of Seagoing Ships (Brussels 1952). Article 1(1)(k) was in turn derived from section 22(1)(a)(vii) of the Supreme Court of Judicature(Consolidation) Act 1925, by which the Admiralty Court had jurisdiction over "any claim for necessaries supplied to a ship".

Since proceedings *in rem* in respect of a section 22(1)(a)(vii) claim could only be brought against the particular ship in respect of which the claim arose, it was an essential ingredient of such a claim that it should relate to necessaries supplied to a particular ship, the identity of which had either been specified in the coutract of supply, or at least notified to the supplier when the necessaries came to be delivered. Since specification of the identity of the particular ship was an essential ingredient of a section 2(1)(a)(vii) claim, it was to be inferred that it was also intended to be an essential ingredient of a claim under article 1(1)(k) of the Convention, which was derived from that earlier English provision.

That inference was reinforced by article 3 of the Convention which permitted the arrest on a maritime claim of either the particular ship in respect of which the claim arose, or a sister ship. Unless it was intended that an article 1(1)(k) claim should relate to goods or materials supplied to a particular ship the option of arresting the particular ship in respect of which the claim arose would be pointless.

On the basis that specification of the identity of the particular ship to which goods or materials were supplied was an essential ingredient of an article 1(1)(k) claim, it must also have been intended to be an essential ingredient of a corresponding claim under section 20(2)(m) of the 1981 Act.

That historical background of section 20(2)(m) strongly supported the construction arrived at on the basis of its wording alone.

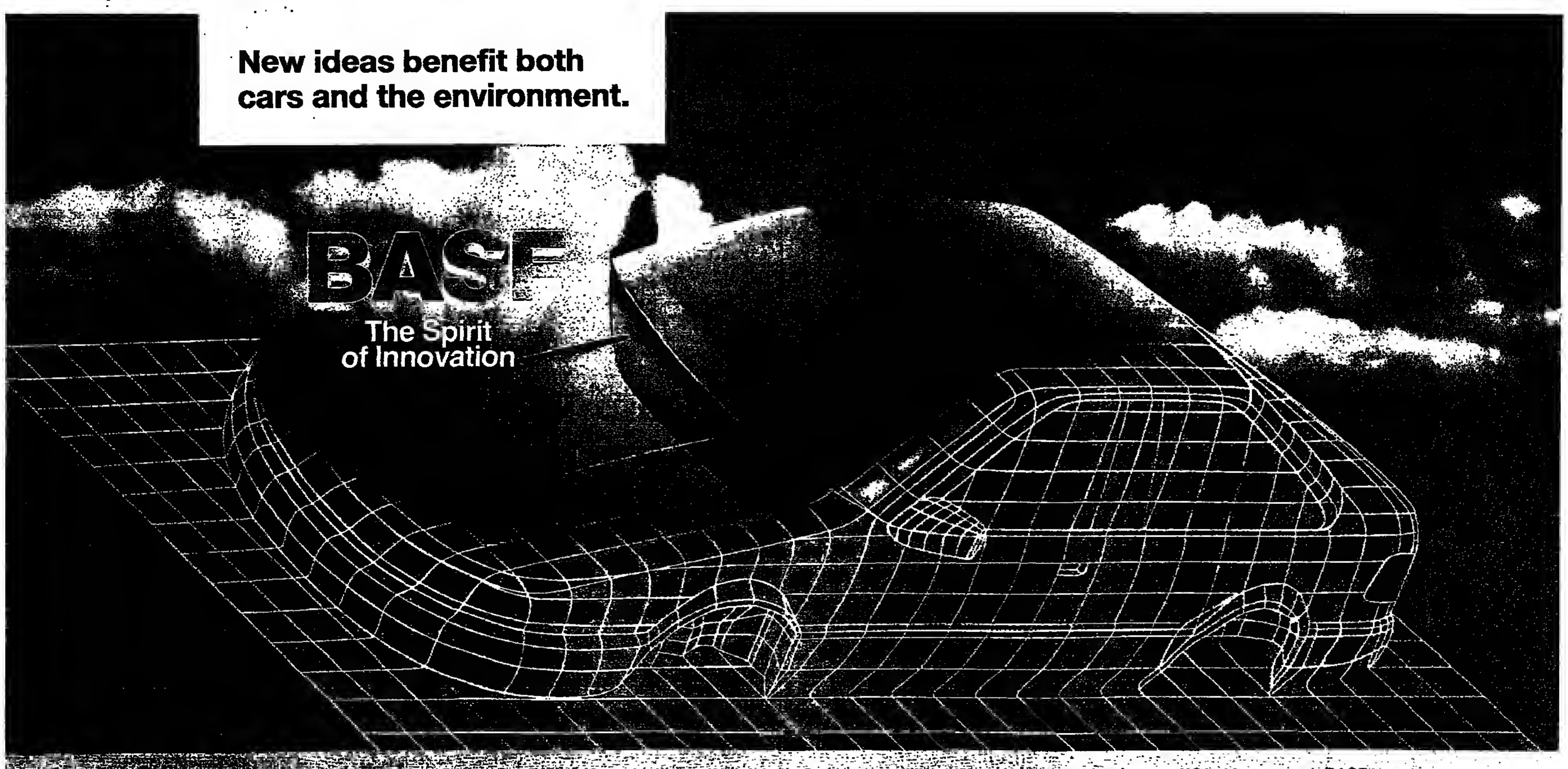
The appeal was dismissed.

Their Lordships agreed.

For Tiphook: Stuart Boyd QC and Mark Hapgood (Allen & Overy)

For NNSL: Richard Aikens QC and Lionel Persey (Hill Dickinson & Co)

Rachel Davies
Barrister



APPOINTMENTS

New chairman for Relyon Group

Following the retirement of Mr John Allinson Smith at the annual meeting of RELYON GROUP, Mr Ralph Platt has assumed the position of chairman in addition to his responsibilities as managing director. Mr Norman D. Graham is to join the board of Relyon Group as chief executive of the group's subsidiary, Relyon Ltd. Mr Graham was formery a divisional director of CV Home Furnishing, part of Coats Viyella.

★

Mr Richard Poynder has been made managing director of KEYLINE SHOPPING. He was formerly sales and marketing manager of Nixdorf Computer's finance division.

★

Mr David Martin has been appointed a director of RENOLD.

★

PLESSEY CO has made Mr Andrew Given its group finance controller. He joins from Northern Telecom where be was vice-president finance for the European division of Northern Telecom Europe.

★

At FERRYMASTERS Mr Derek Munt has become managing director. He has also heen appointed to the board of P & O European Transport Services, a subsidiary of the P & O Group. Mr Munt has been deputy managing director since November 1985.

★

Dr Maurice Ruddick is joining STAINLESS METALCRAFT on July 1 as chief executive responsible for fabrication and engineering activities. He comes from his own company, Burnett and Rolfe, following its sale to the APV Group.

★

Mr Richard Adam has been appointed to the new position of group finance director at TELEVISION SOUTH. He was previously group financial controller.

★

Mr Lawrence Coppock has become finance director of B & Q. He comes from HP Bulmer where he was finance director.

★

Professor Peter Moore, principal of London Business School, has been elected president of the ROYAL STATISTICAL SOCIETY. He succeeds Sir John Kingman for a two-year term of office.

★

On July 1 Mr Brian Harrison, managing director, become deputy chairman of FIELD AUTOMOTIVE, and Mr Michael Simpson managing director. Mr Simpson has also been appointed chairman of Somet and Mr Harry Knight has joined Somet's board as financial director. Mr Barry Stone has been appointed director and general manager of Field Aircraft, and Mr Martin Dudley, commercial director. Mr Michael Marchant joins Field Aviation (Heathrow) as director and general manager from Air Europe where he was director of engineering.

★

DECLAN KELLY GROUP bas made Mr Norman Lindsay its group finance director. He was previously group finance director at Valin Pollen International.

★

Mr J.P. Gray, managing director of Escol Products, has been elected chairman of the VITREOUS ENAMEL DEVELOPMENT COUNCIL.

★

STIRLING HENDRY FINANCIAL SERVICES has appointed Mr John S. Elder an executive director.

★

At PIERI (UNDERWRITING AGENCIES) Mr Howard J. Thompson has been appointed a director from July 1. He is underwriter of Marine Syndicate 309.

★

CENTREWAY TRUST has appointed Mr Tony Robinson as group managing director. He remains managing director of Centreway Development Capital in addition to his group responsibilities.

★

Mr Roger Billett bas been *appointed* a *director* of ARUNDELL HOUSE SECURITIES and ARUNDELL HOUSE (CITY). He will have overall responsibility for the project management of the office and retail development programme the company is carrying out in the City and Home Counties.

HENDERSON ADMINISTRATION GROUP has made the following appointments: Mr Robin Holland-Martin has become an executive member of the main board. He was previously a non-executive director. Mr Richard Henderson has been appointed managing director of Henderson Financial Management, the private client division. He was previously in charge of North American securities. Mr Geoff Owen returns from the group's New York office to become managing director of Henderson's international division. He retains his position as senior vice-president of Henderson International. Ms Sally Marshall becomes a deputy managing director of Henderson Pension Fund Management, with special respnsibility for intermediary liaison.

★

General Sir James Glover, former Commander in Chief, UK land forces, has joined the board of DELTA DATA SYSTEMS.

★

ERNST & WHINNEY has appointed Mr Nigel Moore to the new post of partner with responsibility for Continental practice liaison and development from July 1. He has been managing partner of Ernst & Whinney's London office since March 1986. Mr Nick Land, a member of the firm's managing body, replaces him as manager partner, London office.

CONTRACTS

Servicing US military health care

MILGO, Florida, bas been selected by Science Applications International Corporation to provide multiplexers and modems for tbe $1bn Department of Defense Comprebensive Healtb Care System (CHCS) project. Racal-Milgo estimates the valne of its contract to be in excess of $40m (£22.5m). The CHCS will modernise the collection and processing of medical treatment information for military personnel and their dependents at military bospitals and clinics throughout the world. The system will be deployed over an eight-year period at more than 750 bospitals and clinics, ranging in size from the large Walter Reed Army Medical Center in Washington, DC, to small clinics. Medical departments such as the pharmacy, radiology, laboratories, admissions and scheduling will be able to share the computer network.

Science Applications International Corporation (SAIC), of LaJolla, Calif., won the contract in Marcb. Racal-Milgo Government Systems Inc., will be the subcontractor for data communications access and concentrator devices on the eight-year open-ended contract, providing Omnimux multiplexers, Omnimode modems, Com-Link modems and digital service units. Most of the computer hardware is being manufactured by Digital Equipment Corp. Racal-Milgo has been working with SAIC at Ft. Knox, Ky., army hospital for a pilot demonstration during the past half year.

★

WIMPEY CONSTRUCTION UK has been awarded public and private sector work totalling more than £5m. Refurbishment contracts have been awarded by Middlesbrough Borough Council, Bradford and Kirklees Metropolitan Councils and the company is also to build council bousing in Kingston-upon-Hull.

Work has begun on a £500,000 contract for the refurbishment of 24 flats in two two-storey blocks in Langridge Crescent, Middlesbrough. Tbe buildings will be given a brick outer skin, new bin stores, porches, windows and doors. Internally, work includes the replacement of doors, flooring and kitchen units, and electrical and heating systems. In Bradford 73 bomes on the Swain House Estate, Wood Lane off Kings Road, are being upgraded under a £1.3m contract which will be completed in January 1990. New kitchens, sanitary fittings, windows and doors will be installed and cavity wall insulation, plasterwork and re-decoration carried out.

Thirty-one bungalows are under construction for Kingston-upon-Hull City Council under a contract valued at £970,000. The bungalows, in Hopewell Road, Hull, will be handed over in January 1989. Construction is of traditional brick/block on concrete foundations.

A design-and-build contract, has been awarded by Leeds City Council, worth £1.32m, for an adult training centre in Scott Hall Gardens, Scott Hall, Leeds. The 1,470 sq metres building will be of traditional contruction and will include a mini-bus garage and an all-weather tarmacadam netball pitch. Under another contract, Wimpey is to refurbish premises in Chapeltown Road, Leeds, to form industrial units. Work involves extensive external and internal repairs and is due for completion in October.

Refurbishment work has started at the Dewsbury School in Rockley Street, Eastborough, Dewsbury for the Kirklees Metropolitan Council. The external and internal works are being carried out on the first middle and nursery schools, and on an adjacent site, the old St Philip Hall is being demolished to provide a car park for the school.

JOBS

Fresh thoughts on organisational stupidity

BY MICHAEL DIXON

EVERY Jobs column reader I have ever met has not only known the "Peter Principle", but claimed to have worked under someone conforming to it. Even so, lest there be those among us today who are unaware of the principle, I had better state it:

In a hierarchy, people rise to a level of responsibility at which they are incompetent.

While that phenomenon does not occur in every case, hearsay suggests it is common enough to qualify as one of the Laws of Organisational Stupidity which this column has taken on the solemn task of codifying. The test for inclusion in tha code is that, in the matter of predicting what actually happens, the law at issue must be at least as reliable as the laws of economics.

When the principle was first enunciated by Dr Laurence Peter two decades ago, the reason given for the phenomenon was simple. If you are competent at a given level of responsibility, you tend to be promoted to the next higher one. If you are not, you do not. So the level at which people eventually arrive and stick, being neither further promoted nor fired, is one where they are incompetent to do the work. A corollary, of course, is that they wield their greatest power at the point where they are most apt to do damage.

But organisation-watchers fairly soon realised that, although the phenomenon owed something to the simple almost mechanical process just outlined, it could not be the fundamental explanation. And in the following years, numerous attempts were made to find the definitive answer.

Most of them pursued the same line of thinking: that the key lay in the curious workings of human perception and judgment. An example was the claim that the Peter effect was underlain by another law of organisational stupidity called Doyle's Damper, which states: *Mediocrity can recognise nothing better than itself.*

It was argued that, far from being inherent in the promotion-deciding machinery, the effect is triggered only when mediocre people are put in a position with power to appoint subordinates. Then, since the best work they are able to perceive can be no better than the mediocrity of their own, they relentlessly promote the middling over the top performers. Moreover, once the blight takes hold, it tends to spread until the entire outfit is not just leaden from head to foot, but convinced it glitters like gold.

Although the plausibility of that hypothesis was equalled by several of the others put forward, none succeeded in identifying the root of the problem. And there tha delving rested, the pay dirt apparently beyond reach.

Suddenly, however, a fresh possibility of advance has been raised by the proposal that the previous probers were digging down quite the wrong line. For one trait they virtually all shared was that they were looking for the explanation in individuals.

They assumed that the Peter effect was triggered by some flaw such as inadequacy for higher-level work in a single person. Having been stricken with wrong promotion, that person then inflicted it on someone else similarly unsuited who did the same to another one, and so on.

Snags

There are certain snags with that assumption. Let's suppose that the nonsense did begin with the arrival of an illfitted man in a job empowered to appoint staff. Since he could hardly have got there except through someone else's agency, his arrival in the job is not the root cause. So we must trace who promoted him. When we have found the hungler responsible, we must trace who ever misappointed that person.... We shall eventually reach Adam. Who promoted him?

So unless we are to end up attributing the Peter effect to something like original sin, we need a different starting point for the inquiry. And the one now being proposed is that the effect arises, not from an inadequacy of any one person, but from some insanity generated by large numbers of the same getting together in organisations.

Indeed, the organisation-watcher Norman Augustine*, who is coincidentally executive vice-president of a big American group, suggests it is misleading to state that: "... *people rise to a level of responsibility at which they are incompetent.* For those very words imply that it is the promoted individuals who are to blame for the wretched outcome. The fact is rather that: "*In an organisation, responsibility rises to a level at which people are incompetent to discharge it.*"

That process can be illustrated by citing British Rail – which is to observers of organisational stupidity what the Falkland Islands are to penguin-fanciers, although its value to scientific research may now be endangered by the Government's thoughts of trying to privatise it.

Needing to come into the office the other day earlier than the "morning"-paper reporter's usual starting hour of 10 a.m or so, I reached my local station at the sort of time most of the world's workers set out. My station is at Greenwich, a place high on the list of foreign tourists in London, one of whom was already at one of the two open windows of the booking office. He was having tronbla in communicating his wants albeit since he spoke some English, it was less trouble than I would have in his country.

Behind him, 23 pin-stripers of either sex were waiting to buy their ticket. Even though a train to London arrived, they stayed in the queue. There would have been no point in doing otherwise.

For at the door to the platform stood two gold-braided stalwarts turning back anyone without the requisite bit of paper issued by BR's new computerised ticket-dispenser at about a tenth of the speed of the previous manual device. The police-like pair were presumably there to deter the sizeable number, but still small minority, of people who cheat by travelling without paying.

The odd thing was that no aspiring passengers were going to the other open window, despite the presence there of another of the station's regular staff. It turned out that, whereas the old manual system would have allowed him to serve some would-be customers, he was no longer able to supply any ticket issued by the costly electronic gadget at the other window. All he could give out was things it did not, and alas nobody wanted them. Moreover, while automatic dispensers of tickets for standard journeys have been installed at some stations, there is none at the Greenwich tourist-resort.

Hence British Rail was putting twice the staff resources into repelling customers that it was into enabling them to travel.

As the Jobs column stood observing the scene, several more would-be passengers arrived and glumly joined the line. When one looked inquiringly at the queue-less window, I began to explain the state of play. "Ob I know that," he said. "It's like this most mornings of the week."

Now here we would seem to have an example of the effect of the reworded Peter Principle.

It was clear the station staff – unlike the visiting stalwarts who were evidently glorying in their task – did not like being unable to help the queuers to go to work. But they were not *responsible* for doing so, because anyone having responsibility for a service must have the authority to make it possible.

Higher places

The responsibility for serving the customer had therefore risen to some higher level of British Rail's hierarchy (I tried to find out which level, but nobody engaged in the event seemed to know). Even so, it could surely not be said that the failure to discharge the responsibility is rooted in an inadequacy of the individuals to whom it had risen.

It is true that they are not as competent at enabling people to buy tickets to travel as they are at stopping them from travelling in consequence. But whereas they know from underlings' reports that cheating occurs, the loftiness of their offices prevents them from knowing what might be happening at any point where customers actually have to be served. So the failure is rooted not in them but in their position.

Or so some people might argue, at least.

**Augustine's Laws. Viking Penguin, £12.95.*

Appointments Advertising Also Appear on Pages 8 - 10

Head of Public Relations and Corporate Communications

Investment Banking

City — **c£50,000 + bonus and substantial benefits**

Our client is a highly regarded full service international investment bank. It has a reputatioo as a leading underwriter and broker and a strong presence in the global securities market, its operations extending to Tokyo, New York and other major financial centres.

In this newly created post, which reports at Management Committee level, you will be responsible for all aspects of public relations and corporate communications. Key areas of emphasis will be the co-ordination and handling of relations with the media; brochure and publications design; and the implementation of a co-ordinated product and regional advertising programme. You will also provide support for business units in their sales and marketing efforts and assist senior line management in the organisation of roadshows, conferences and client presentations, and the development of investor relations programmes. There will be some travel, mainly in Europe.

Probably in your thirties, you will already be operating at or near board level, with a proven record of success in the public relations field. Knowledge of the financial markets would be a significant advantage. An ability to relate to people at all levels and of different nationalities is essential, together with the energy, enthusiasm and imagination to make a strong contribution to the business.

Please write in confidence to John Cameron, quoting reference CF915, at 84/86 Grays Inn Road, London WC1X 8AE (telephone: 01-404 5971).

CAMERON · SIMPSON
Consultancy · Search · Selection

FINANCE & TREASURY INTERNATIONAL (IRELAND)

After several years successfully managing its own corporate treasury, the Electricity Supply Board, Ireland is now establishing a new subsidiary company - FTI - in the Customs House Docks, Dublin to provide Treasury consulting and associated services for clients in Ireland and Internationally at a full commercial level.

FTI now seeks high calibre people, to form a new team, to develop and service exciting market opportunities, and to establish FTI as a leader in the field.

This young company will have the advantage of the international standing of the ESB and will afford real career opportunities to people attracted by the challenge of being part of the start-up team. Excellent reward packages and good conditions and benefits are available to the right people.

The following positions are on offer:

CONSULTANTS
Will have the capacity to consult with clients on a corporate level on strategic treasury management and financial engineering and have expert capability in at least one financial market. They will have strength in consulting and presentation skills, client relationships and business promotion and be able to keep pace with the evolving markets - their products, techniques, risks and opportunities.

CONSULTANT ANALYSTS
Will have the ability to develop sound market views and outlooks based on:
- an understanding of financial markets and research/evaluation of the factors which influence them.
- reliable technical analysis of market and prices.

They will relate the relevance of market products to corporate treasury and "deal" as necessary in these products.

FINANCE DIRECTOR (DESIGNATE)
Reporting to the MD, will have overall responsibility for the financial soundness of the company and for establishing and controlling performance of key business targets. FTI will be providing a high grade sophisticated service to its clients, this will require top-class admin. and systems support for which the successful candidate will be responsible. Applicants will already have proven achievements in this field.

MARKETING MANAGER
Will ideally have both the marketing and technical capability to identify the market; promote FTI and its services; secure and retain clients, and design and develop the appropriate sales techniques.

A comprehensive understanding of the services being offered, the markets on which they are based, and high level marketing skills are essential.

TRAINING MANAGER
Will have both training expertise and a thorough understanding of corporate treasury and the financial markets, their products, techniques and instruments. A high level appreciation of training techniques, training packages and presentation skills are required, together with the ability to develop and deliver sophisticated training programmes on the complex totality of corporate treasury.

EXPERIENCE/AGE QUALIFICATION
Relevant experience must include a strong corporate treasury orientation either from a direct corporate treasury background or from appropriate functions within financial institutions. Candidates will be self-motivators and demonstrate energy and flair and the ability to contribute significantly to the company corporate objective. They must identify with a strong team spirit and be comfortable with flexible working arrangements.

Between three and five years practical experience at an appropriate organisational level is required. Candidates will ideally be in their late 20s or 30s and hold an honours university degree or equivalent qualifications.

If you meet the requirements and are interested in joining the team, please write enclosing full C.V., indicating the position applied for and why you feel you should be selected. Applications marked "Personal & Confidential" to be sent, by 1st July 1988 to:

John O'Connor,
Recruitment Consultant,
Finance & Treasury International,
P.O. Box 2344, Dublin 2.

Electricity Supply Board

Hoggett Bowers City Division

A MEMBER OF BLUE ARROW PLC

Contact Judy Elmes or Liz Murphy, Abbott House, 1-2 Hanover Street, LONDON W1R 9WB. 01-409 2766.

Deputy Financial Controller To £30,000 + Car + Banking Benefits

The capital markets subsidiary of a prestigious European bank is seeking to recruit a qualified A.C.A. with two years post qualification experience within a capital markets related environment. The role is a proactive and interesting one, involving managerial responsibility for the department as well as control and production of management reports, budgets and statutory accounts. The incumbent should be able to demonstrate considerable drive and ambition together with the technical expertise necessary for accounting in such an area.

Marketing Officer – Swaps c £30,000 + Banking Benefits

On behalf of the merchant banking arm of a top international name, we would be interested to meet young marketing officers who have considerable experience of capital markets products. Ideally aged mid to late twenties, you should be a graduate with fluency in a second European language, with the ability to contribute immediately to an impressive business development plan within Europe.

Assistant Manager – Marketing £25,000 + Banking Benefits

Small but expanding overseas bank wishes to recruit an Assistant Manager for its UK Marketing Division. The successful candidate will be aged mid to late 20's and have a strong credit analysis background coupled with first class marketing skills to UK corporates. The bank is expanding in this area and consequently prospects are first class.

Credit Analyst £23,000 + Banking Benefits

Our client, a prestigious US Investment bank, wishes to supplement its Credit area with an additional Credit Analyst. The successful applicant should be a graduate aged in their 20's with an excellent background in Credit Analysis. Working as part of a team, whose function is to protect the capital base of the bank against loss, you will act as an advisor to the credit committee, performing analyses of *countries, industries, corporates,* banks and *other institutions.* Prospects of developing your career are excellent.

Management Accounts Officer To £20,000 + Banking Benefits

This is a challenging position for an individual looking to build upon two years accounting gained in a capital markets function. Aged in their mid to late twenties, the likely candidate should be educated to at least 'A' level standard or preferably be a partly qualified accountant, being able enough to produce management accounts with minimal supervision. You will be joining a young, dynamic organisation where rewards are commensurate with commitment and ability.

Auditor £17,000 + Banking Benefits

City based International bank has recently restructured their Audit department. A vacancy now exists for an additional Auditor. You will be aged mid 20's to mid 30's and have had a minimum of 12 months bank auditing experience. This is a high profile role, where the successful candidate will be involved in reviewing all operational areas, including Treasury, Documentary Credits, Loans etc. A knowledge of Midas would be an added advantage. Prospects are excellent.

CHASE

Are you an ambitious Operations or Marketing Executive?

MARKETING OFFICER

Money Transfer and Service Products

The Chase Manhattan Bank is renowned for the strength of its banking services to other financial institutions. This group markets money transfers, clearing and custody products, and is regarded as a market leader.

They now seek a further marketing officer, to develop relationships with UK and foreign banks in London. Contact is often at General Manager level, and frequently involves the cross-marketing of a broad range of banking products.

This position could suit a Relationship Manager working in almost any area of corporate banking, or possibly a bright banker in operations with relevant product knowledge. As a "cold calling" job, the position demands tenacity and patience. Age is not a crucial factor in assessing candidate suitability.

Interested candidates should apply in writing to Andrew Stewart at 76 Watling Street, London EC4M 9BJ or telephone him on 01-248 3653 (office) or 385 9616 (home).

76, Watling Street, London EC4M 9BJ — **BBM** ASSOCIATES — Tel: 01-248 3653/01-489 8070

CONSULTANTS IN RECRUITMENT

treasury information

Victoria

£negotiable

B.A.T Industries is one of the world's largest enterprises with diverse interests including financial services, retailing, paper and tobacco.

Following the development of the Group Treasury operations, an experienced supervisor is now sought to head up a small team responsible for the Treasury support operations and the records of the central finance companies. Responsibilities will also include participation in the development of computerisation and management reporting for this area of operations.

Excellent administrative skills and experience of settlement procedures are pre-requisite. You will have the experience necessary to organise and develop a support system vital to the continued smooth progress of an active Treasury Department.

A highly competitive remuneration package is on offer. Please forward a detailed c.v. to Marc Parker, Personnel Manager, B.A.T. Industries, Windsor House, 50 Victoria Street, London SW1.

BAT INDUSTRIES

CLB is the "Eurobank" of the Dresdner Bank Group. Situated in Luxembourg, we are active in international lending and money-market, foreign exchange and securities dealing with major partners world-wide.

Within our Syndications and Loans Division we intend to strengthen our

EUROCURRENCY SYNDICATIONS

department. This international team transacts a wide variety of capital markets business with both sovereign and corporate customers in the syndicated Euro-Loan markets world-wide.

Ideally, candidates will be between 25 and 30 years of age, will be educated to degree level and have received a bank training in the international sector. Experience in a syndications environment would be valuable for a position demanding creativity and the ability to develop and carry through successfully attractive loan projects.

We are looking for a dynamic, decisive personality with good presentation skills. Fluency in English (not necessarily as mother tongue) is essential. A good knowledge of German to be improved on the job will also be a requirement. We will naturally give necessary assistance regarding relocation to Luxembourg.

If you are attracted by this challenging opportunity, we would like to discuss further details with you personally. In the first instance, therefore, please send your written application in German, with career details and photograph, marked "confidential" to our Personnal Department.

Compagnie Luxembourgeoise de la Dresdner Bank AG

26, rue du Marché-aux-Herbes
L-1728 Luxembourg

Dresdner Bank International

Bullion

Manager - Options Division

An opportunity has arisen within a Global Bullion Banking House trading in precious metals world-wide, for a candidate experienced in all aspects of options to manage the London bullion option operation.

Reporting to the Chief Executive, the main responsibility will be to establish the London bullion options business of the bank. This will involve designing a business plan, developing an option market making strategy to blend with the banks existing option business in other centres, to detail option systems and methodology and to recruit and build up a trading team.

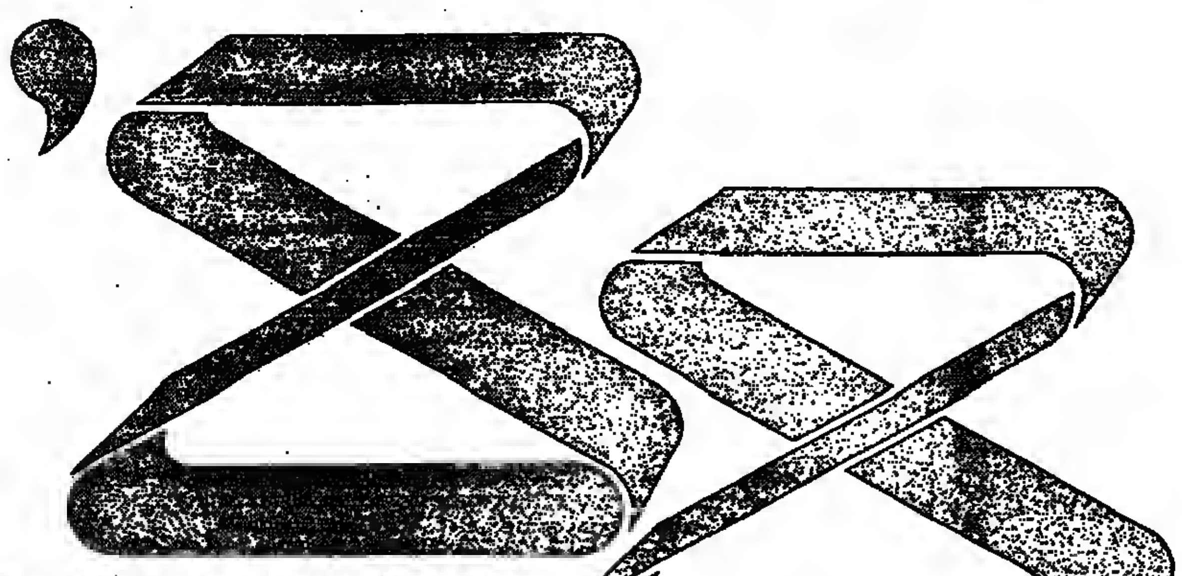
Applications are invited from people with managerial experience in either bullion, financial or commodities options who are currently employed by an established bank or trading house.

A very attractive compensation package and creative working environment is available for the successful applicant.

For further information please contact **Ray Wallhead on 256 5611** or write to him at **Rochester Recruitment Limited, 8th Floor, Moor House, London Wall, London EC2Y 5ET.**

ROCHESTER
International Search & Selection

COULD YOU SHAPE UP TO THESE ENTREPRENEURIAL OPPORTUNITIES IN . . .



As one of Britain's most innovative international merchant banks, the continuing expansion of our Capital Markets and Corporate Finance activities in Scandinavia, continental Europe and other international markets has created the following opportunities:

CORPORATE FINANCE SPECIALISTS

Pre-requisites are a demonstrable track record of achievement in the initiation and completion of corporate finance transactions, including cross-border M & A exposure; in depth knowledge and first hand experience of the European financial markets; and fluency in at least one European language, other than English. The successful candidates will join our existing teams based in London.

LDC AND/OR PREMIUM LOAN TRADERS

We are seeking traders with experience in the trading of LDC debt, and/or domestic/international premium loan sales and syndications for our desk in London and our New York branch due to open shortly. Preferred background should include experience in local LDC markets, access to the corporate market or regional banks, and ideally, fluency in either Spanish or French.

All Posts carry an excellent remuneration package. In the first instance you should contact:

Ken Driver
Manager – Personnel
Scandinavian Bank Group plc
Scandinavian House
2/6 Cannon Street
London EC4M 6XX
Telephone No: 01-236 6090

or: Gary Caesar, Senior Vice President
In our New York office:
Scandinavian Bank Group plc
780 3rd Avenue
25th floor
New York, N.Y. 10017
Telephone No: (212) 935 8181

Scandinavian Bank Group

The art of British banking Scandinavian style.

Scandinavian Bank Group plc, Scandinavian House, 2-6 Cannon Street, London EC4M 6XX. Tel: 01-236 6090 Telex: 889093 Fax: 01-248 6612.

Appointments Advertising Also Appear on Page 8 & 10

Corporate FX

Morgan Grenfell is seeking to recruit an additional Corporate Dealer to join its Treasury Department.

As part of our successful and expanding team, you will be responsible for servicing our existing client base and developing new business, both in the UK and internationally. While the primary focus will be Foreign Exchange, you will be required to market and deal in the full range of treasury products.

We require someone with at least two years experience of Corporate Foreign Exchange, preferably with experience and knowledge of money market and off-balance sheet instruments. The successful candidate will be able to demonstrate the intellectual capability to make a major contribution to the high standard of advice and service provided to our corporate and institutional clients.

There is an attractive remuneration and benefits package. Please contact, giving full career details:

Mark Heyes
Morgan Grenfell & Co. Limited
23 Great Winchester Street
London EC2P 2AX
Tel. 01 588 4545

MORGAN GRENFELL

CJA RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

An interesting and challenging position – a high degree of autonomy will be vested in the appointee.

SALES DIRECTOR – LIFE & PENSIONS

CJA

LONDON — **CIRCA £50,000**

HIGH SUCCESSFUL AND EXPANDING FIRM OF LLOYDS INSURANCE BROKERS

For this new appointment, we invite applications from candidates, aged 34-45, who will have gained at least 10 years experience in personal financial planning and employee benefits and not less than 5 years practical senior management experience. Reporting will be to the Managing Director and responsibilities will cover the recruitment, establishment and successful motivation of a team of personal financial planning consultants for a national operation. Up to 30% away travel will be necessary. Commercial flair and the ability to make a major contribution in developing a significant share of business in life and pensions insurance, fully utilising the Group's substantial resources, is necessary. Initial salary negotiable, circa £50,000 + car, contributory pension, free life assurance, free family medical facility and assistance with removal expenses if necessary. Applications in strict confidence under reference SDLP4609/FT to the Managing Director:– CJA

Key appointment for banker with European language skills to develop niche marketing role. Excellent career prospects.

EUROPEAN SPECIALIST TREASURY AND DEBT INSTRUMENTS

CJRA

CITY — **ATTRACTIVE REMUNERATION PACKAGE**

LEADING UK MERCHANT BANK

Our client has a reputation for innovation in Treasury and Banking Markets and wishes to recruit a further specialist to concentrate on marketing the services of its risk management group to European clients. Specifically, the role involves the marketing, negotiation and execution of a range of debt instruments including private placements, complex swaps and other risk instruments. Ideally, candidates will be high calibre graduate bankers in their late 20's or early 30's with a minimum of two to three years' experience in Treasury/Banking Products, preferably with financial engineering capability. Working in a small team, individuals must have the potential to build up strong client relationships and existing European contacts would be an advantage. It is essential for a candidate to speak one or more European languages. Remuneration will be by way of high basic salary and bonus, company car, non-contributory pension and free life assurance. Applications in strict confidence under reference ES21150/FT, will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA

3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ TELEPHONE: 01-588 3588 OR 01-588 3576. TELEX: 887374. FAX: 01-256 8501

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT – PLEASE TELEPHONE: 01-628 7539

Major International Bank

Leasing Operations Manager

Excellent Salary & Benefits

Our client, the leasing subsidiary of a major International bank, whose track record and profitability within this specialised industry is long established, seeks to appoint an experienced Operations Manager to its management team. The UK subsidiary is one of a number of the bank's leasing operations in Europe and North America which allows wide scope for future career progression.

The successful applicant will be responsible for compliance with established operations, procedures and controls and will be in total charge of the daily running of all operational aspects of the department. These include contract administration, lease funding, financial and management accounting/reporting and credit. He/she will also be responsible for general administration, in addition to acting as a company secretary for this entity. Strong interpersonal skills are a prerequisite as a major responsibility will be interface with the marketing team and customers on the structuring of, and quotation for, leasing programmes. The ability to manage and motivate staff will be a prime consideration in this appointment.

The ideal candidate will have at least 5 years' operations experience in the leasing industry, with particular exposure to medium ticket and vendor leasing programmes. It is expected that candidates will be graduates with a professional accountancy qualification. However, candidates wishing to broaden their existing role and possessing extremely strong experience in either credit, or contract administration, who feel they have the qualities to fulfil the above, may be considered.

An excellent salary will be offered to the successful candidate in addition to a benefits package incorporating company car, subsidised mortgage, non-contributory pension scheme, BUPA etc.

Interested applicants should apply in writing to Andrew Stewart, BBM Associates, 76 Watling Street, London EC4M 9BJ or telephone him on 248 3653.

76, Watling Street, London EC4M 9BJ — **BBM** ASSOCIATES — Tel: 01-248 3653/01-489 8070

CONSULTANTS IN RECRUITMENT

Asset Allocation

Global Investment Management

Major British Bank

Our client, a subsidiary of a major British bank, is a leading International investment management house which markets a full and innovative range of investment products worldwide.

Today's global investment environment has highlighted the importance of a disciplined and fully integrated approach to asset allocation.

To achieve the necessary degree of quantitative analysis in formulating its global asset allocation strategy, the company seeks an ambitious individual to act as the coordinator to develop and operate a model which will accommodate a wide range of investment options and fund objectives. You will be a key part of the professional team working closely with the investment managers and those providing input regarding economic and country data, performance measurement and systems support.

Aged 25-35 you will be computer literate, probably with a mathematically orientated degree and ideally have relevant formal postgraduate education covering the international financial markets. You will have at least 2 years' experience in an international investment management, stockbroking or related environment and have a good understanding of quantitative techniques applicable to asset allocation.

The high profile nature of the role demands fluent communication and presentation skills.

In addition to an attractive salary and bonus package, there is a comprehensive range of banking benefits.

To apply in the strictest confidence, please write to or telephone Robert Winter quoting reference RW 5121.

Lloyd Chapman Associates

International Search and Selection
160 New Bond Street, London W1Y 0HR
Telephone 01-409 1371

FIXED INCOME SALES U.K. AND GERMANY / SWITZERLAND

One of the World's Largest International Securities Houses Long Established in London, New York and Tokyo

We intend to strengthen our fixed income sales team with the addition of two senior sales executives. Candidates should have a minimum of two years experience with a major house and have an established institutional client base in either the U.K. or Germany and German speaking Switzerland.

We offer a highly attractive salary and benefits package, the opportunity to work in an innovative and high calibre team and a long term commitment to your personal development in a growing organisation.

Please telephone our Head of Sales, Andrew Eno, on 01-799 2222 Ext: 2642, or forward a written application to him at:
The Nikko Securities Co., (Europe) Ltd.,
55 Victoria Street, London SW1H 0EU.

NIKKO

MANAGER, SPECIALIST FINANCE

City — **up to £70,000 + M/S**

THE ORGANISATION One of the most significant players in international banking with the commitment to London, financial strength and product range to be successful in a competitive market.

THE ROLE This is a new appointment within the corporate finance area. You will be responsible for managing a team of specialists active in the provision of asset and cash flow backed finance. This is a technically demanding position. It will involve structuring a wide variety of deals including LBO's and MBO's, drawn from a broad range of sectors, including aircraft, property and infrastructure financing.

THE PERSON You have gained experience over a number of years within a recognised specialist financing unit. You are now looking for an opportunity to bring your technical ability and organisational skills to a major international name that is developing a presence in London. It is likely that you hold a relevant post-graduate qualification.

To progress your application for this opportunity please contact in confidence Susan Milford, Divisional Manager quoting ref CG1206.

Management Personnel, 25 City Road, London EC1Y 1AA
Telephone 01-256 5041 (24 hours)

Management Personnel
RECRUITMENT SOLUTIONS
LONDON · GUILDFORD · ST. ALBANS · WINDSOR
NEWBURY · BRISTOL · CAMBRIDGE

CORPORATE FINANCE

INTERNATIONAL M&A

£28,000 + Bens

We currently seek two recently qualified ACAs, to join the London division of a Premier US investment bank with an unrivalled international network. Working in their highly active Mergers and Acquisitions department the incumbents will be responsible for all aspects of M&A activity, namely developing takeover and defence strategy, assisting in divestitures, locating merger opportunities and deal structuring.

Candidates should be graduate CAs with excellent academic records and preferably some non-routine investigations experience. Most importantly they should be confident self-starters with excellent communications skills and possess a strong commercial awareness.

DEVELOPMENT CAPITAL

£25,000 + Options + Bens

The corporate finance arm of a quoted financial services company would like a recently qualified graduate ACA to join their small and highly successful team.

Working from a predominantly small company client base there will be full exposure to MBOs, LBOs, mezzanine financing and mergers and acquisitions transactions.

As well as an excellent academic background it is essential that the successful candidate be a relaxed and confident individual able to cope with the additional responsibility which comes from working in a small team.

For further details [illegible] contact Jon Michel or Joe [illegible] on (01) 583 0073 (day) or (01) 673 0839 (evenings and weekends) or write to them in complete confidence at

16-18 NEW BRIDGE STREET, LONDON EC4V 6AU.

BADENOCH & CLARK
RECRUITMENT SPECIALISTS

INTEREST RATE MANAGER

Our client is a major international bank with world-wide representation. Their London office is exceptionally well-established and provides a highly successful range of commercial and merchant banking services.

To further develop their Interest Rate activities they seek to recruit an experienced banker with considerable, practical expertise in the management of interest rate exposure in all markets.

The position demands the creation and establishment of trading and research areas, close liaison with the relevant operational, systems and accounting departments and the recruitment of additional personnel where applicable.

The successful applicant must exhibit a high level of mathematical/computer awareness and must be well-versed in the design and application of software packages for Swaps. They must also demonstrate the inter-personal skills required for a position that is both complex and demanding.

Due to the importance the company attaches to this position, the salary and benefits' package will not be limiting factors.

PLEASE TELEPHONE MRS JOAN WOODS, 01-236 1113, OR WRITE TO HER, ENCLOSING A FULL CV, AT PORTMAN RECRUITMENT SERVICES LTD, 13-14 GREAT SAINT THOMAS APOSTLE, LONDON EC4V 2BB.

PORTMAN
EXECUTIVE BANKING

ECONOMIC ANALYST

Planning the future in oil & gas

LONDON

One of the leading names in the energy sector is Conoco. We are a major force in North Sea oil & gas exploration and production and are currently investing over £500 million in developing new offshore gas fields.

To reflect this commitment, we are also looking to the future and strengthening the Economic Planning section at our London H.Q.

As Economic Analyst, you will form part of a small and lively professional team and help to investigate and evaluate opportunities in UK upstream operations. In addition to a varied project workload, you will also be involved in the development of economic models.

Our need is for a graduate with a good degree in a relevant discipline, with several years experience of analysis and planning. A knowledge of oil & gas taxation would be a distinct advantage. Equally important is the ability to work well under pressure and to communicate results effectively verbally and in writing.

An attractive salary (including London allowance) is accompanied by the comprehensive range of benefits you would expect from a progressive and successful company. Prospects for career development are first class.

Please telephone or send your C.V. to Tony Strudwick, Employee Relations Adviser, Conoco (UK) Ltd, Park House, 116 Park Street, London W1Y 4NN. Tel: 01-408 6938.

conoco
Conoco is a subsidiary of the Du Pont Company

ECOBANK NIGERIA

A UNIQUE GREENFIELD BANKING OPPORTUNITY

Ecobank Transnational (ETI) is to be Africa's first privately and indigenously owned offshore bank. Established on the initiative of the Chambers of Commerce and Industry in the Economic Community of West African States its aim is to promote trade and industry within the community. This year ETI commercial banking subsidiaries will be established in Togo, Ivory Coast, Ghana and Nigeria together with a representative office in London.

Nigeria is planned to be the largest operation and will commence trading from a prestigious Victoria Island address. Using the most modern technology and banking techniques the bank will initially offer foreign exchange and corporate banking products to a receptive and profitable market. It now seeks two high-calibre senior bankers with the vision and energy to help refine and achieve the ambitious growth plans.

MANAGING DIRECTOR

Initial challenge will be definition and implementation of an agreed business strategy for Nigeria. Responsibilities will include marketing, credit control, resource management and Government liaison. Candidates should be seasoned banking professionals with broadly based general management, marketing and product experience gained in a rapid growth international environment. Languages should be English and ideally French. The resourcefulness and energy needed to manage a start-up situation are vital. (Ref: 1915).

DIRECTOR OF OPERATIONS

To manage office and operational logistics, recruit and train operations staff, supervise transaction processing, premises and personnel. A key task will be to introduce branch automation, security and control procedures. An experienced banking operations manager is sought with knowledge of forex, trade finance instruments, branch operations and Central Bank reporting. A period in an expanding branch network offering high levels of customer service is essential. (Ref: 1916).

Highly competitive expatriate compensation and benefits packages will be offered for these critical roles to reflect their importance to the development of ECOBANK Nigeria. Packages will be tailored to meet the needs of the successful candidates.

Please write, in confidence, enclosing full career details, and quoting the appropriate reference no., or telephone for further details:

Egor International Ltd., 25 Grosvenor Street, London W1X 9FE. Tel: 01-493 1045.

EGOR
EXECUTIVE SELECTION

Great Britain • Belgium • France • Germany • Italy • Portugal • Spain

---

First Interstate Bank

As a result of continued success combined with an impressive growth rate, First Interstate Bank of California is seeking a highly motivated professional for the following position:

Senior Spot Foreign Exchange Dealer

Playing a vital role in our Interbank trading team, your wealth of experience in Spot trading in the major currencies (preferably Cable), will be tested to the full. For the successful applicant, we offer the perfect environment for personal development and career advancement.

We are also seeking a **TRAINEE/DEALER'S ASSISTANT**. You will be either a Graduate trainee or a dealer's assistant currently with an active dealing Bank.

Please write enclosing a full C.V. to:–

S. A. O'Toole,
Foreign Exchange Manager,
First Interstate Bank of California, 6 Agar Street, London WC2H 4HN.

Pharmaceutical Analyst

Stockbroking

Kleinwort Grieveson Securities offers an opportunity for an investment analyst or an outstanding trainee to join the City's top-rated pharmaceutical team.

The successful applicant, probably aged 25-35, will initially cover small companies and undertake challenging projects under the guidance and direction of two well-respected pharmaceutical analysts. In due course the person will acquire additional responsibilities. Within two or three years he or she can expect to have a broad reputation within both the City and the pharmaceutical industry.

The ideal candidate may now be working as an investment analyst in any sector or as a trainee fund manager. Alternatively, he or she could be a qualified accountant or be a financial or planning executive within a pharmaceutical company. A science degree, possibly in pharmacology, chemistry, biochemistry or a related subject, would be an advantage. Above all, the person will be expected to work long hours and show great commitment. The career potential is unlimited for the right applicant.

Please write enclosing a c.v to L S. White, Esq., Director, Kleinwort Grieveson Securities Limited, P.O. Box 560, 20 Fenchurch Street, London EC3P 3DB.

Kleinwort Grieveson Securities

Executive

International Corporate Finance

Our client needs a dynamic professional to join their International Corporate Finance Department.

Responsibilities will include marketing a broad range of money market and fixed interest securities to a range of customers, especially Canadian corporates. Advising on financial strategies and opportunities in Canada will be a growing and important responsibility. To achieve this the jobholder will have to advise clients on relevant investment strategies and liaise closely with the company's sales/trading desk and corporate finance and banking departments.

Applicants must have a Business degree, a strong command of English and French, and a high level of computer literacy. At least two years' relevant capital markets experience particularly in Euronotes/CDs/Commercial Paper/FRNS/Eurobonds is essential. Candidates will also need a strong working relationship with Canada and Canadian corporates ideally developed through time spent there.

Please apply in writing with fully detailed CV to: R. J. Slamon (Ref FT/22), Vine Potterton Limited, 152/153 Fleet Street, London EC4A 2DH. Please state on a separate sheet if there are any companies to which your application should not be forwarded.

VINE POTTERTON
RECRUITMENT ADVERTISING

Specialist Energy Team

Corporate Finance Executive

One of the leading UK merchant banks, J. Henry Schroder Wagg & Co. has a vacancy for an ambitious executive to join the Specialist Energy Team within its Investment Banking Division. Responsibilities range from financial and technical analysis of national and international oil and gas companies to the generation of innovative deals for clients and prospective clients, and maintaining close working relationships essential for effective client-support.

The successful candidate will be a graduate, probably mid to late twenties, with experience of working on financial analysis in UKCS upstream oil and gas. A professional background, whether technical or financial in a banking or industrial environment, is less important that an ability to work as a member of a small, highly motivated team. Experience in the use of Lotus Software and IBM PC would be an advantage.

The total rewards package comprises a competitive salary and an attractive range of benefits including mortgage subsidy and generous non-contributory pension scheme. Opportunities to progress within the Investment Banking Division and the Schroder Group generally are excellent.

Applications in writing, with full CV, should be sent to Jo Heigho, J. Henry Schroder Wagg & Co. Limited, 120 Cheapside, London EC2V 6DS.

Schroders

MANAGING DIRECTOR REQUIRED

£250,000 IS ON OFFER FOR A THREE YEAR PROJECT

A Midland based businessman aged 57 wishing to retire in three years time requires a person to manage and develop an engineering company based in Coventry.

The package includes a basic salary of £25,000 p.a. but also an equity stake day one in voting ordinary shares at no cost which is estimated to be worth in three years time at least £180,000.

In three years either the company can be sold or a total management buy-out arranged or the person appointed can continue to run the business with full executive control remitting dividends to Spain and himself/herself.

The company is engaged in precision engineering in aerospace and plastic injection mould toolmaking. Turnover currently 1.4M but productive capacity twice that. Employees 55 including 38 skilled toolmakers. CAD/CAM/CNC installed.

This is a fantastic opportunity for a young person 35-45 who has the entrepreneural flair to run their own business and aim to be a millionaire in less than 10 years.

Only applicants who have an engineering background, with sound connections, relevant general management experience, experience of CAD/CAM/CNC and who are numerate should apply.

Apply in writing to:-
P.S. Kirby - Chairman
Gidney & Kirby Investments Ltd
Barford House
Bishop Street
Coventry CV1 1HU

EUROBOND SALES	FINANCIAL FUTURES DEALER	CONSULTANT/SALES FOR SECURITIES SYSTEMS
£NEG A minimum of 2 years' experience on *institutional sales is required* by an established International bank's securities subsidiary in the City.	**£30,000 Negotiable** A wide spectrum of responsibilities and experience is required for a position in an International bank expanding their market to institutions on Euro $ Futures and Options; SWAPs and FRAs. Forecasting and analysis skills are essential to keep abreast of market movements.	Our client, a financial services software house whose products are designed for specific securities processing are seeking a consultant/salesperson with indepth knowledge of the Eurobond and Equities markets.

OPERATIONS MANAGER	ASSISTANT TO FINANCIAL CONTROLLER	CREDIT ANALYST
c£30,000 Two well known banks seek experienced treasury operations managers. A wide knowledge of new products, foreign exchange, using computerised systems is essential.	**c£25,000** Expanding European bank requires ACA/ACCA to take responsibility for accounting and operational areas. Age range 25-33.	**£15,000 - £23,000** Leading international investment bank has excellent opportunity for a part qualified/graduate with solid analytical experience. Excellent long term career prospects.

OLD BROAD STREET BUREAU LTD
STAFF CONSULTANTS
109 Old Broad Street, London EC2N 1AP. Tel. 01-588 3991

RESEARCH COMPANY

International Banking, Financial Services and Accounting

Chief Operating Officer

The Lafferty Group has important plans for the expansion of its successful Research Unit, which operates in the fields of international banking, financial services and accounting. They now need an entrepreneurial Chief Operating Officer to be fully responsible for the Research Unit's future growth. He/she will be an experienced economist and/or consultant. The candidate will ideally have a good knowledge of banking (particularly retail and private banking), electronic consumer banking, personal financial services and international accounting and economics.

The research work involved will have a strong international flavour and will involve travel, particularly in Europe. A second language would be a distinct advantage. In addition to the direct research work, the Chief Operating Officer will be responsible for the overall management of the Research Unit, liaison with clients and the development of additional business.

A salary of £30,000 + per annum plus a profit share scheme will be negotiable, depending on experience.

The Lafferty Group was founded in 1981 and has offices in London, Sydney, and Atlanta. The group has grown quickly to become a leading provider of high quality information for the financial services industry and has recently been awarded the Queen's Award for Exports.

Send a full c.v. to: The Group Administration Director, Lafferty Group Ltd, Axe & Bottle Court, 70 Newcomen St, London SE1 1YT

UNADVERTISED VACANCIES

SEEKING A NEW JOB? CAREER PROGRESSION? BETTER SALARY?

We are the professionals who can advise and help you. Find out why our Executive Job Search Programme is so outstandingly successful by contacting us for an exploratory meeting without cost. *Expats enquire about our Executive Expat Service.*

London: 01-734 3879 (24 hours) Bristol: 0272-226933 Southampton: 0703-331923 Dublin: 0001-610890.

Connaught

ARTS

Panorama/King's Head

Martin Hoyle

The two spinster teachers share a home on the island. The picture window reveals their beloved "panorama" dominated by Table Mountain across the bay; in the distance, Cape Town. They prefer to ignore the nearby prison, and mock the breezy thug of a warder who comes to court Rosa, even though lonely Karin would secretly welcome his attentions.

The Cape Town-born writer Pieter-Dirk Uys depicts the precarious self-delusion of this paradise in the shadow of high security. The women have to put up the daughter of a black political prisoner (as it were, Mandela) for one night, visiting her ailing father before being shipped back to her appointed territory. Her presence strips away their evasions: fearful in the case of Karin, defiant on the part of self-possessed Rosa.

There are almost two plays here, political and personal. The girls are portrayed with subtlety. Rosa, apparently fulfilled, is shown as a fantasist; weak Karin loyally feigns ignorance, thus acquiring strength. The play leaves them clutching each other at night, straining to see their adored view through the darkness and hoping that the new day will not bring too harsh a wind. The conclusion combines the work's elements in powerful symbolism.

The writing perfectly catches the mixture of good will and ingrained prejudice that characterises many who consider themselves liberal. Typical is the scene where Karin is left alone with their silent and stony-faced guest and dithers tremulously like any neurotic Tennessee Williams belle. Her chatter is terrified and inconsequential, wavery with nervy laughter, until in a tiny, strangled voice she ventures, as if talking to some rare, exotic species, to ask if the black girl wants to sit down. The South African actress Diana Kent is superb here, as throughout, as the sort who hides money and ornaments away from a black in the house while protesting at the word "kaffir" – not a word used in her Christian background.

Mr Uys is less imaginative with the black girl. For all Natasha Williams's dignity and sudden bursts of humour, she remains a symbol – of endurance and, by implication, hope for the future, pregnant with the child by a white man she loved and who loved her.

Ken Sharrock is the brutishly good-natured cop, a human being rather than a token villain. Jemma Redgrave is the latest of her distinguished family to make a London stage début. Ideally too young for Rosa, she has immense promise: strong, intelligent and with much more gumption than her willowy Richardson cousins.

Penny Cherns's direction could do more to point the comedy, especially with relatively inexperienced players like Miss Redgrave, for there are plenty of unexpected laughs in the play. The worldly-wise Rosa comforts the lonely Karin with the assurance that sex is not terribly important. "Then why is everybody doing it?" sobs her friend. "Because water-skiing's too difficult," the other wearily replies. Di Seymour's set suggests the distant beauty of the landscape in the restricted area of the King's Head stage.

For those who find themselves in Islington at lunchtime, the same venue offers an hour-long comedy by David Conville. *Obituaries* takes us to St Felix's Nursing Home, Beckenham, where two inmates, Apcar and the chair-ridden White, write their death notices for the paper, compose each other's imaginary obituaries, and bet on the frequency of the words "suddenly" and "peacefully" in the deaths column.

Their own imagined obits are very funny, especially that of White, an alleged multi-millionaire, Hollywood star, fighter pilot, financier, inventor of Concorde, and one-time husband of Tallulah Bankhead. In fact, the truth is seedier; and when rivalry and betrayal are sparked off by a royal visit to the home, the comedy turns very black indeed.

Geoffrey Colville is the imagined CBE with the slightly louche (real) past as prep school master with life-long interests in the Boys' Brigade and the scouting movement. Basil Hoskins is marvellously powerful as a similar fantasist, cricketer, military hero and hunter, in truth something very different... Delena Kidd is the charming nurse who prompts tragedy; Richard Digby Day directs.

The New Shakespeare Company has wasted no time in reviving its 1987 production of A Midsummer Night's Dream, which was shortlisted for an Olivier comedy award. The cast is mainly new – the principal exception being Ian Talbot, seen here as Bottom transformed with Carol Royle as the besotted Titania.

But the directorial thrust is the same: a concentration on the physical even if this means, sacrificing the poetry. It is not a bad approach in the wide open spaces of Regent's Park.

So the young lovers have a real set to, with Hermia (Jane Arden) ending up dumped deep into the bushes; the fairies look as if they have just crawled out of primeval slime and in Cliff Howells have a most vociferous Puck; while the mechanicals threaten to take over the whole affair with their broad clowning.

It is no wonder that Beth Tuckey as the dubious bride Hippolyta looks nervous. With especially good work from Philippa Haywood as Helena this is a rumbustious production, which makes the most of the perfect theatre in London for a Dream.

A.T.

Television/Christopher Dunkley

All clued up about game shows

"And now if the gorgeous Cheryl would do the honours, less meet the couples who're gonna play *That's Your Game.* On my left Karen and Kevin from Keighley, and on my right Beryl and Brian from Bromley. Welcome Kevin. It says 'ere on my card that yore into amateur dramatics?"

"Operatics, actually."

"An wos yer favourite?"

"Gilbert and Sullivan."

"They did some good ones, din' they? I liked the one where the guy said he was Nanky Poo in *The Mikado* and not too good in *The Pirates Of Penzance*, either. Now Beryl, yore a canine beautician I believe?"

"S'right."

"So if I brought my dog along to you I could expect to get him back looking like a Yankee Poodle Dandy, is that right?"

"S'right."

"I don't think you ever say anything else, my love, do you?"

"S'right."

"Right then, without more ado, less start the opening round which is a sudden-death contest. Now, there'a a *That's Your Game* pen and pencil set already on its way to Mrs Gladys Robertson of Jarrow, Tyne and Wear, who's sent in this first question, and what she wants you to do is identify the game shows involved. Up on the electronic score board in front of you, you will see the names of two well know TV shows: *Mastermind* and *Tarby's Frame Game.* I am going to read you two questions, (A) and (B), and all you have to do is tell me which question comes from which show. All clear? Right then, fingers on buzzers and no conferring:

"Question (A): What was the nickname given to Sir Arthur Hesilrige's cuirassiers who fought at Roundway Down in 1643? And Question (B) Which actor played the butler in *Upstairs Downstairs?*"

To watch all the game shows transmitted on television over three or four weeks is a weird and rather debilitating experience. It is weird because, although you may have suspected that quite a lot of this sort of thing was going on, mostly outside the peak viewing hours of the evening, it is difficult to appreciate quite *how* much until you seek it out. I have been watching (in alphabetical order): *All Clued Up; Brainstorm; Call My Bluff; Connections; Connoisseur; Countdown; Crosswits; Every Second Counts; Family Fortunes; First Class; Four Square; Headliners; The Krypton Factor; Lingo; Love Me, Love Me Not; Mastermind; The Movie Game; A Question Of Entertainment; Running The Gauntlet; Tarby's Frame Game; That's My Dog; Through The Keyhole; What's My Line; Winner Takes All; Young Krypton.*

Degree of intelligence required: "Connoisseur" (Bamber Gascoigne); "Mastermind" (Magnus Magnusson)

Most of these appear only once a week, but *Countdown, Crosswits,* and *Winner Takes All* appear daily, and some others are screened three or four times a week. (*Four Square,* for instance, and the repeats of *The Krypton Factor.*) The result is that if you work at it, and it seems that some people do, you can now see about 40 game shows a week. It is debilitating because so many are absurdly similar to one another, and the picture they present of the British public is extremely depressing.

It is not just that so many of the participants are overweight and dressed in clothes which would make the average Italian working class family faint with embarrassment; it is the amazing *ignorance* of people who – presumably – consider themselves well equipped to answer general knowledge questions.

Asked by Paul Daniels during BBC1's *Every Second Counts* "How many hams would you obtain from five pigs?" Vivienne and Clive suggested 27, 36, 28, 19, 15, 21, 5, 7, 3 and 2. In an earlier "True Or False" session on the same programme another competitor reckoned that a Russian city named Volgagrad was fictional while Turnitoff (try it out loud) was real. Most baffling of all, one of the contestants on *Four Square* maintained that the day before Good Friday was Ash Wednesday.

Not that the contestants are the only ones to get things wrong. In *Tarby's Frame Game* on ITV last Saturday one of the tasks was to fill the blank in this set:

LIFE – – – BANK The contestant offered "BLOOD" which clearly fills the bill very nicely but, because Questionmaster Tarbuck had only been supplied with one answer (SAVINGS), she was told she was wrong. Worse still, the 10-year-old schoolboy who was leading in the final of C4's *Countdown* last week lost when his word "yolked" was disallowed on the ground that the show's dictionary only listed it in hyphenated form.

Both the formats and the target audiences of these shows clearly vary considerably. At one extreme there is ITV's *Run The Gauntlet* devoted entirely to physical activity, in which the question of camera angles seems to be paramount: when the motorbikes or dune buggies come vrooming over the rise, can the cameraman get low enough to show the thunderflashes going off behind while the chaps are still in the air?

Appearance is everything in this show: Martin Shaw, a perfectly ordinary actor, is used as a gee-whiz presenter solely (I assume) because of his connection with the fictional tough he played in *The Professionals.* His macho tone is pretty good, though it would carry more conviction among the Marines and scrambles riders if his hairdo and wardrobe were slightly less delicately perfect.

At the other extreme is the entirely sedentary *Mastermind* on BBC1 which has just finished another highly successful season of memory testing with a win for a clerk from the House of Lords whose specialist subject was Nancy Astor. In the middle, and supposedly testing the whole man, is *The Krypton Factor,* the ITV contest which assesses mental agility, spatial awareness and IQ, as well as general knowledge and physical stamina.

In theory *The Krypton Factor* should be the acme of television game shows, but in practice the well-rounded generalist makes remarkably boring television whereas the obsessive specialist is endlessly interesting. Half the fascination of *Mastermind* is in seeing whether Magnusson and the back room swots can think up a question about "The early works of Juliana Horatia Ewing" (or whatever) which the beady-eyed fanatic in the black chair cannot answer.

Neither *Run The Gauntlet* nor *The Krypton Factor* could be seen as a model for the typical game show, though *Mastermind* certainly could. The commonest shows are set entirely in studio, involve a minimum of paid professionals (often just one) and – thanks largely to the traditional puritanism of the rules enforced by the British broadcasting authorities – offer prizes which Americans would regard as literally insulting. Presumably the virtue of these shows, in the eyes of the television companies, is that they are astoundingly cheap and, with luck and a little care, can sustain remarkably high ratings figures.

As game shows expand, seemingly inexorably, to fill more and more of the daytime and night time hours, and doubtless more and more of the satellite and cable channels, let us hope the programme controllers remember that cheerful ignorance is not the only possible selling point. The BBC's *Mastermind* and *Call My Bluff,* as well as their new arts game show *Connoisseur,* all demand a degree of intelligence – as well as having a sense of style – and they, too, get good ratings.

There may be s still unsatiated market for the vapid and the demotic, but there are also considerable numbers of more demanding viewers. The signs are that in game shows as in so many areas it will be these demanding viewers who will tend to be overlooked as the vast television expansion proceeds, but if so that will surely tell against the medium's own best interests in the long term.

Lohengrin/Covent Garden

Andrew Clements

The Royal Opera's *Lohengrin* is now 11 years old, and was last seen in 1981 when the company included it in the repertory of its season in Manchester. Its return to Covent Garden now at the end of the Tooley era, and in the same season as the new *Parsifal,* has a positive logic but the revival has been plagued with casting problems.

Placido Domingo was originally scheduled to sing the title role but withdrew some months ago to be replaced by Eberhard Büchner for the early performances and René Kollo for the remainder. But Büchner is ill and Paul Frey, who sang Lohengrin Werner Herzog's production at Bayreuth last year, was drafted in for the first night; Büchner hopes to return later in the run and Kollo will now only sing in the last performance. Both the female leads are being shared too – Cheryl Studer's Elsa will later be replaced by Mechthild Gessendorf's, and Gabriele Schnaut's Ortrud by Eva Randova's.

With such comings and goings it seems paradoxical to report that the central quartet of singers proved to be easily the most impressive component of the show on Monday. Elijah Moshinsky's staging, with plain, totemic sets by John Napier, has an ageless eusterity that verges on anonymity at times, though it is remains atmospherically effective. Rehearsed by Andrew Sinclair it moves efficiently enough, though the Act 1 duel is a feeble, perfunctory thing, and the chorus is not always ideally deployed. There is a lack of fine detail in the interactions of the principals but the commitment and intensity of their singing provides ample compensation.

Frey's Lohengrin is a pleasing, slightly aloof portrayal, not helped here by the statutory blonde wig; his tenor rises easily through the ensembles, and cuts the appropriate heroic figure as required. Schnaut, making her house debut, is at times thrilling if generally edgy in tone, but she holds together and projects the role with great presence and assurance. She is well matched against Studer's nicely vulnerable Elsa, who is at her most convincing in the lyrical effusions, less so at dramatic climaxes.

The Telramund of Hartmut Welker, however, is the most comprehensive performance of the four: he carries genuine dramatic power in every gesture and sings with a clean articulacy that carries no sense of vocal strain. In narrative he verges sometimes on *Sprechgesang,* but the sense of every phrase is unerring and compelling. Both Hans Tschammer's Henry, plain but effective, and Donald Maxwell's Herald provide good support.

The disappointments of the evening lie elsewhere. The contributions of the chorus seem underpowered and often ragged, and the orchestral playing lacks lustre. Jeffrey Tate accomplishes the set-piece grandiloquence of the score well enough, but anything else is made to seem only prosaic; there is no mystery in the opening prelude, and no sense of the numinous anywhere to be found. As e result it remains in total an earthbound *Lohengrin,* despite the excellence of some of its constituent parts.

Alastair Muir

Paul Frey, top, and Hartmut Welker

A Fine Film of Ashes/ICA

Michael Coveney

Steve Shill's intriguing, attenuated monologue in a house of death is a companion piece to his Bush Theatre production last year of *Five Smooth Stones.* That duet between the abandoned patriarch, an unpublished poet, and his son, s callous advertising executive, did not gel as a mixture of text and stmospherics. Going solo, Shill returns to Dad's smelly old haunt after the funeral. He is now an estate agent. Dad's ashes are in a box.

With his former partner in Impact Theatre, Graeme Miller, Shill has devised a sea-swept soundtrack of sighs and gulls, of distant chorales and Occitan folk song, of regularly surging waves and systems music. Shill, tall and regretful, on this showing a latent comedian of some potency, is discovered as if in a magic lantern show, now pinned against the wall, now naked on the sofa in a dunce's cap, now crouched on the floor. The method is rather similar to the recent television productions of Alan Bennett's *Talking Heads.*

Considerably slowed down, though. It is interesting how this area of experimental theatre work is reverting to humourous narrative, not expanding in physical gesture. The level is muttered and muted, the event offered careless of our witness, glimpsed through a restrictive aperture. As in his Hopperesque Cape Cod idyll, *Face Down,* Shill establishes a slow, insistent, elemental rhythm as a setting for emotional outsider trading.

Michael has fled the wake with *half a bottle of sherry* and the ashes. In the car, he has revisited an estate where he sold houses, surprised to find people living in them. He telephones the office, insisting on deference from the secretary. There are snapshot vignettes of other relatives at the funeral: Aunt Doris in a loud dress, Terry who has made a list of his wife's shortcomings and joined the local gun club. Michael tells his wife not to contact him.

He explains to the ashes why he never brought Carol or the kids on a visit. They stayed in the car outside. His failure to bridge the gap is to do with suppressing the fabulous in life both at work and at home. Levering up the floorboards, Michael finds a forest stream and relates a magical journey, brought to an abrupt end by an old man with a rock who represents England.

It is all very private and strange, bordering on the precious but redeemed by deadpan anecdotes, notably the one about punching a doctor and passing out as his wife gave birth. Life and death are gruesome and funny. The ashes are spilt everywhere ("There is a little bit of Dad in all of us") and finally collected up in a vacuum cleaner.

Wolpe and Cage/Almeida Festival

David Murray

A long Monday evening at the Festival began with the BBC Singers introducing us to some fine, neglected Stefan Wolpe. Practically *all* of Wolpe's music is neglected, despite the high respect sccorded to him by contemporary musicians. The earlier Wolpe is hard to pin down – like another Schoenberg ex-pupil, Roberto Gerhard, he tried on many musical hats before his own idiom was focussed; the later music is usually spiky, always brimming with energetic intelligence, rarely instantly memorable. As far as we know here: we get precious little chance to investigate it, though New Yorkers are a bit luckier.

Simon Joly conducted his Singers first in some uncommonly direct, "popular" Wolpe, the 1954 Three Pieces which eagerly celebrate the new Israel. Their attractive surfaces belie much compositional ingenuity in the sub-structure. More obviously challenging, the 1945 *Yigdal* was nonetheless designed for synagogue use: Wolpe set Maimonides' Sabbath Eve prayer as a vociferous, urgently contrapuntal cantata, complete with bravura organ and florid interventions by a sort of cantor-baritone (Peter Harvey, crisp and forceful). It was exciting to follow here, though for the sombre rhetoric of the postlude the Union Chapel organ supplied only a borboryg-mic grumble.

In between, and at a length that stretched one's patience (35 minutes), we had Morton Feldman's wordless valedictory *For Stefon Wolpe.* Beautifully hummed by the chorus, it might have gone on rotating its softly dissonant chords for a quarter-hour or for a whole one, while at intervals a pair of vibraphones climbed and descended a few chromatic steps, as if in a three-legged race underwater.

The rest of the evening, back at the Almeida Theatre, went to the devout mycologist and cool aesthetician John Cage. The centre-piece was his *Empty Words* (abridged), in which Cage himself – now a leathery, gracious 76 – uttered spaced-out phonemes in a ruminative but penetrating tone. At the same time Yvar Mikhashoff addressed himself to a number of the Piano Pieces: mostly detached single notes, struck or plucked or "bowed" with dental floss, but erupting at odd moments into a fierce cadence.

Before and after, while Cage radiated serene benevolence from the front row, Mikhashoff and the Arditti Quartet played *Music for Five* (s piano quintet, literally and geographically spaced-out), and their leader Irvine Arditti delivered the first sixteen "Freeman Etudes" (*Cage is writing another batch to Ms. Freeman's commission*) for almost an hour with unblinking panache.

Where the Piano Pieces are sedulous about admitting no connection (except what you may think you hear) between any tiny event and the next, *Music for Five* is not only carried over long pedal-notes but punctuated by suspiciously innocent major triads – for all the world as if it were a deliberate construction. Furthermore, Arditti discovered (as he would) some very plausible high drama in the Etudes. I should guess that Cage was pleased and only mildly surprised by thet, as he might have been by innumerable other readings.

Arts Guide

June 17-23

THEATRE

LONDON

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of comedians including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244; credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion to e doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abound. (836 6404; credit cards 379 6233).

NEW YORK

Fences (46th Street). August Wilson hits a home-run with a powerful tale of an old baseball player raising a family in an industrial city to the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria Theatre in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in e stage full of characters. It has nevertheless proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670).

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). Kabuki-za is celebrating its 100th anniversary this year, presenting both perennial favourites and new works with leading actors throughout the year. Takeda Shingen, O-Matsuri at 11am; Honcho Nijushi-ko, Shunkyo Kagami-jishi, Banzui Chobei at 4.30pm. For those with little time at their disposable, tickets are available (on the day only) for a single act. Excellent English earphone commentary. Ends Jun 27. (541 3131).

Opera-za no Kaijin (better known as *The Phantom of the Opera*) plays at the Nissei Theatre. The fact that Andrew Lloyd Webber's affectionate tribute to Victorian melodrama is getting e Tokyo production so soon after London and New York is more a tribute to the mighty yen than to Tokyo's theatrical and musical pre-eminence. However, Japan's leading musical company, Shiki, acquits itself well in what is a virtual carbon copy of the London original. The Japanese translation is often awkward, but Lloyd Webber's gift for musical pastiche (from Mozart to Richard Rogers), Harold Prince's romantically evocative staging and Maria Bjornson's stunning sets and costumes make for an enjoyable evening whether yon understand the words or not. (320 9000).

The Maharabhata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Full of enthralling images of earth, fire and water, but not without its longuers, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 0555).

Hamlet (Ebisu Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, makes use of two translations, one old and one new, but Ninagawa has left it up to his actors to decide which one to use – and when. The strong visual concept for this imaginitive production derives from Japan's Doll Festival. Hamlet is played by a popular TV actor, Ken Watanabe. Ends June 29.

Knee Play (Awara Hall). Devised by Robert Wilson, the master of performance art, with music by David Byrne of Talking Heads. This production was created in 1984 and, according to the publicity hand-out, "oses the stage as a three-dimensional canvas to create poetic images." (Wed,Thurs).

AMSTERDAM

Stadsschouwburg. The English Speaking Theatre of Amsterdam continues its 10th anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination. (Tue to Thur). (24 23 11).

Saleroom/Antony Thorncroft

Record for manuscript

Sotheby's secured some remarkable prices in its sale of medieval manuscripts and miniatures, including auction records for English, Flemish and Italian manuscripts which had been acquired around 1900 by the first Lord Astor, in his time the richest man in the world, and sold yesterday by his heirs for £4.7m.

An elaborately illuminated Hours and Psalter of Elizabeth de Bohun, Countess of Northampton, the greatest 14th century English manuscript still in private hands, sold for £1,540,000 to the London dealer Quarritch. It was probably produced in Cambridge around 1340. The price was almost three times the forecast, and was a record for an English manuscript.

A 16th century Hours of Albrecht of Brandenburg, Cardinal Bishop of Mainz, prodnced around 1522 by the great Flemish illuminator Simon Bening, with 43 of the 51 large minatures sttributed to him, sold to Tenscheit, the Munich dealer for £1,210,000, while the Italian record was the £770,000, paid by Quarritch again, for one of the largest Books of Hours to survive, the Great Hours of Galeazzo Maria Sforza, Duke of Milan, and produced in that city around 1460.

Since 1980 Christie's has been disposing of the estate of Sir Cecil Beaton – photographer, designer, diarist. Yesterdsy almost 200 fabric, stage and costume designs inherited by his secretary, Eileen Hose, who died last year, came on to the market, to close this archive. They brought in almost £40,000 more than expected, selling for £158,328, mainly to private admirers and with scarcely a lot unclaimed.

Top price was the £7,480 paid for a watercolour design for *My Fair Lady,* perhaps Beaton's most famous schievement. This row of Ascot figures carried a top estimate of £1,200. A costume design for Samuel Barher's opera "Vanessa" made £5,500, five times forecast, while a view of the garden at Asbcombe House also did remarkably well at £4,840.

Musical instruments are a difficult market these days and it was perhaps not surprising that an important violin by Joseph Guarneri (known as del Gesu) was unsold, at £140,000. He is regarded in some circles as a superior maker to his contemporary Stradivari and, althongh this instrument of 1720 had once belonged to the famed violinist Henri Marteau, there was no hid acceptable to the vendor. Top price in the Christies's auction was the £88,000, over twice the high estimate, paid for a violincello by Matteo Goffriller, made in Venice in 1705.

Sotheby's concluded a two day auction of Japanese works of art with a total of £1,419,231 and a reasonable 15.7 per cent unsold. An ivory group, carved by Yoshida around 1880, 65 cm high, and depicting a child sitting on an old man's lap watching chickens who are about to be attacked by a cat, almost doubled its forecast at £50,600.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Wednesday June 22 1988

Decoupling the unions

BRITAIN'S trade unions could help to save the Labour Party by walking away from it. For the dominance of the party by the major unions is a principal reason for its loss of of three general elections in a row. That dominance is probably the single most important cause of the distrust of Labour by the very centre-ground voters whose support it must win if it is to avoid a fourth defeat.

Antipathy to the political role of the unions probably reached a peak during the final months of the last Labour government. It was exacerbated by the "winter of discontent" in which it became apparent that the public service unions could exercise greater power than the elected Government of the day. A decade has since passed, and those memories have begun to fade. Membership of the trade unions has fallen sharply. The unions themselves are no longer in the counsels of government; nor would they necessarily be if Labour were to be voted back in the early 1990's. The Trades Union Congress has deliberately held its peace on matters of policy, in the knowledge that a certain distancing of its affairs from those of the Labour party would benefit the latter. Yet suspicion of the political role of the unions persists.

Kinnock's counter-signal

The reason is that that suspicion is constantly refuelled. The latest instance is the nine-days wonder that began with Mr Neil Kinnock's apparent signal, in a television interview, of an impending revision of the electorally disastrous policy of instant unilateral disarmament and ended yesterday with the Labour leader's counter-signal, in a newspaper interview, of a scuttle back to his original position. The most significant of the events that happened in between was a decision by the executive committee of the Transport and General Workers Union to postpone a vote on whether to support Mr Kinnock and his deputy, Mr Roy Hattersley, in the current leadership election campaign. The general secretary of the union, Mr Ron Todd, indicated that it was up to the party conference (where the union vote is preponderant), and not Mr Kinnock on his own, to make policy. Many of Mr Kinnock's other colleagues expressed disquiet at the original tentative proposal that unilateralism may be revised, but the T&GWU voice was the most potent. The Labour leader has shown, in the plainest possible way, who his true masters are.

Labour would do far better if its relationship with the trade unions could be made more like the one between the US unions and the Democratic Party. The unions would contribute to campaign funds. They would make their policy views known. They might even take part in debates. But they would not dominate. Such a one-man-one-vote Labour Party would find it far easier to adapt its policies to contemporary realities, and to carry conviction while so doing. Since it is clear that Mr Kinnock is highly unlikely to move in any such direction, the hope for Labour now rests with the more modern-minded and rational unions themselves.

No-strike agreements

The most prominent of those is the EETPU electricians' union, which will learn today whether it is to be suspended by the TUC for its insistence on adhering to no-strike agreements. The expectation is that it will eventually leave the TUC altogether, although it would hope to remain affiliated to the Labour party. It might merge with the Amalgamated Engineering Union, which is also led by reformists. Some unions are anyway outside the party machinery. The Union of Democratic Mineworkers has broken away from the old National Union of Mineworkers, which is still led by the crusading Mr Arthur Scargill. The National Union of Teachers has recently moved towards a trade unionism that gives greater precedence to service for its members than to the pursuit of political campaigns. As the nature of British trade unionism changes, so the old, uncompromising leadership (including that of the T&GWU itself), will come to seem less relevant. It is too soon to expect the EETPU, the AEU, and like-minded unions to initiate a voluntary decoupling of themselves from the Labour Party, but not too soon to postulate that events are beginning to move rational unions towards such a conclusion.

Hope for peace in Indochina

THE US, the Soviet Union and China are now more interested in improving relations with each other than in pouring resources into unwinnable local wars. Hence the prospects for resolving at least some of the world's long-running regional conflicts are a great deal better than they were a few years ago.

The US learned the lesson first: it could not win the Vietnam war and neither could its clients, the South Vietnamese. Mr Mikhail Gorbachev, the Soviet leader, has been the most important recent convert, pulling out of Afghanistan and indicating that attempts to deal with other regional conflicts would follow. Increasingly, small wars will have to be fought without help from the Big Guns.

Indochina, which contains some of the world's poorest and most war-ravaged nations, looks to be an early beneficiary as the Soviets turn their attention to Vietnam and its occupation of Kampuchea.

The Communist victory against the US in Vietnam had profound regional repercussions. These included a Communist victory in Laos and the devastation of Kampuchea by Pol Pot's inhumane Khmer Rouge forces from 1975 until 1978 when Vietnam, backed by the Soviet Union, invaded.

Fertile nations

The Indo-Chinese are clearly better at winning wars than prospering in peace. Kampuchea, Laos and Vietnam are resource-rich and fertile nations which have moved resolutely backwards in the world economic league for more than a decade. (The Burmese, another great fighting people, have simply failed to move forwards for about 30 years.)

Some time ago the Soviet Union gave notice privately to Vietnam that the $2bn a year in aid to support the occupation of Kampuchea could not continue indefinitely. Vietnam therefore announced that it would withdraw from Kampuchea by 1990 and has more recently indicated that 50,000 of its 120,000 troops might go by the end of this year.

This raises the vexed question of the future government of Kampuchea. The Khmer Rouge, with support networks in the countryside which the Vietnamese have never been able to smash, has been consistently supported by China and has remained confident of returning to power. China, however, has become noticeably anxious in the last year or so about the international opprobrium it attracts for supporting what is widely regarded as one of the nastiest forces in the world.

The US has become convinced that China will back away from the Khmer Rouge rather than be left supporting another campaign of violent pillage while the Soviet and US claim to be peacemakers. The most hopeful sign yet is that the Chinese have made clear that Prince Sihanouk, the exiled leader of an opposition coalition, should be the new leader of Kampuchea and that Pol Pot's group must not have a majority – if indeed it is included in the government at all.

Regional stability

Each country has much to gain from regional peace. Vietnam, once it quits Kampuchea, will be eligible for western economic aid. Kampuchea (without a Khmer Rouge government) would be able to start a peaceful reconstruction with international help. Thailand and Laos, which have made progress in resolving a dangerous border conflict, would both benefit from a new regional stability as trading and investment links opened up.

The consequences for the major powers are much greater. The Vietnamese occupation of Kampuchea is now the major obstacle to an improvement in Sino-Soviet relations. The US, while understandably nervous about the implications of a new *rapprochement* between the two great Communist powers, will welcome the lowering of tension in the region and the removal of Soviet and Chinese military influence from an area which the Americans had to leave so ignominiously in 1975.

Raymond Snoddy looks at the issues posed by the expansion of satellite TV in Europe

The battle for television's soul

THERE WAS consternation in the British broadcasting world earlier this month when Lord Young, Secretary of State for Trade and Industry, tentatively suggested that the Government was considering the eventual transfer of two of the four national television channels to satellite distribution.

But his first thoughts were far more drastic. He wanted to move both BBC2 and Channel 4 to satellite within three years – until he was persuaded that this timescale was impractical. A move by 1991, he hoped, would simultaneously solve two pressing problems for his department, the DTI.

First, viewers who wanted to continue watching Channel 4 and BBC2 after 1991 would be virtually forced to buy satellite receiving equipment. This would give an important boost to the commercial chances of British Satellite Broadcasting (BSB), the UK's £625m direct broadcasting by satellite venture founded by Granada, Pearson (publisher of the Financial Times), Virgin and Anglia Television. Such a boost would have been doubly welcome for BSB in the light of Mr Rupert Murdoch's decision earlier this month to begin transmission of Sky Television, including four "free" channels, on the Luxembourg satellite Astra in early February – well ahead of BSB's projected start-up. Mr Murdoch's announcement may make it more difficult for BSB to raise its second-round financing of £400m.

Second, clearing the frequencies used by two of Britain's four national channels would allow more commercial channels to be created. This might reduce complaints from advertisers about the rising cost of television airtime in the UK.

As Lord Thomson, chairman of the Independent Broadcasting Authority, asked pointedly at a private meeting when Lord Young outlined his original suggestion, were the interests of advertisers being put before the interests of viewers?

The proposal that finally emerged was a much more tentative joint Home Office-DTI investigation into the possibility of transferring to satellite, without a time limit and with an undertaking that normal land-based transmission would continue alongside satellite distribution until at least 50 per cent of homes could receive satellite broadcasts.

However, the tension between the Home Office and the DTI over broadcasting policy – demonstrated by the way in which the proposal was outlined by Lord Young, rather than by Mr Douglas Hurd, the Home Secretary and the minister formally responsible for broadcasting in the UK – is only one manifestation of the dilemma presented by satellite broadcasting. As satellite transmission becomes a force to be reckoned with, commercial television continues to expand, and the remaining public service monopolies come under threat. Is broadcasting primarily culture or primarily business, or is it an uneasy mixture of the two, and in whose interests should it be developed or controlled?

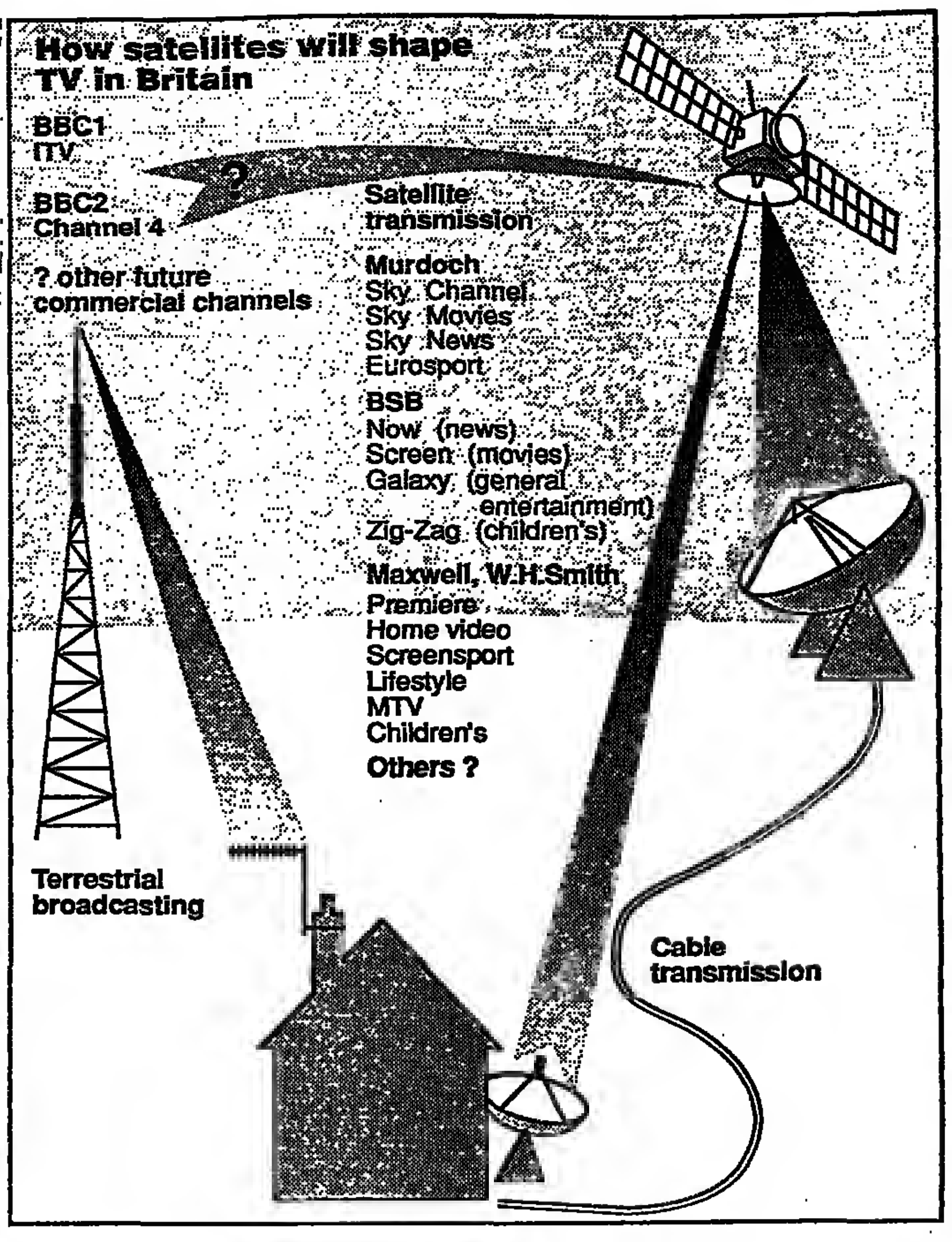
It is a dilemma being faced by governments across Europe where there are two bodies trying to provide a framework for trans-frontier broadcasting: the 21-nation Council of Europe, which is preparing a convention, and the European Commission, which is finalising a directive.

The Council of Europe, a body primarily involved in human rights and cultural issues, has many smaller members who are worried about the prospect of cheap programmes from the US and of foreign advertising broadcast outside their frontiers.

On the other hand, although the EC is obviously interested in protecting a European sense of identity and has been backing minimum European production quotas, its policy has been to ensure that broadcasting, like other products and services, can cross Community frontiers subject to minimum regulations.

The tension between the proposed convention and proposed directive was just one of the issues that surfaced last week at a conference in Munich to consider Europe 2000: What Kind of Television, a report by a task force set up by the Manchester-based European Institute for the Media and the Amsterdam-based European Cultural Foundation.

At the conference, Mr Andries Overste, chairman of the steering committee which has completed drawing up the text of the convention, appealed for an end to hostilities between the two organisations. He also suggested that the Council of Europe concentrate on creating a broad framework for trans-frontier broadcasting and that the Commission devote itself to such matters as trade and fiscal incentives for the audio-visual industry. "I think it is much better to make this division of labour rather than both organisations fighting each other," he said.



He got an immediate concilia*tory response from Mr Carlo Ripa* di Meana, the EC Information, Culture and Communications Commissioner who said: "I accept a certain division of roles. It is intelligent. It spares energies. We are not going to fall into the trap of creating artificial clashes between our institutions."

Harmonisation of convention and directive was just one of the Task Force's recommendations for dealing with what it believes is the most profound transformation which the television industry has faced since it was established – a transformation marked by both a growing com*mercialism and internationalism.*

The main thrust of the report is to warn of the threat to the quality and diversity of Europe's main leisure activity if public service monopolies are replaced by unbridled deregulation. The great increase in broadcasting hours, says the report, is not being matched by increased original production, in particular in the areas of drama and fiction.

"The substantial increase in the number of television services from which viewers can choose is likely to be no more than an illusion if the schedules of the different channels are filled with the same imported or repeated programmes and the production of European programmes does not increase proportionately," the report said.

There is also a view that increased competition, apart from pushing up the cost of acquired programmes, will either force minority programmes off the screen altogether or relegate them to off-peak viewing.

Mr David Plowright, chairman of Granada Television, suggested that commercial public service broadcasters such as Granada are adapting to the new highly competitive environment and seeking new production markets in Europe and America.

He told the broadcasters at the conference that in August Granada will begin filming a co-production of Charles Dickens' novel of the French Revolution, A Tale of Two Cities, mostly in France with French partners Dune and Pathe. All the close-ups will be shot in both English and French with two sound versions being edited from a single negative.

Another important aspect of the conference was the support from Mr di Meana for Task Force recommendations that European public service channels should be set up, particularly for news. "A multilingual European news service should be the top priority of any political action at the European level," he said.

The conference also decided to set up a group charged with creating a European Television Forum, a non-governmental body "to stimulate and monitor the development of TV services". But before such a forum is likely to meet the 16-channel Astra satellite is due to be in operation and with it Mr Rupert Murdoch's four new television channels.

As Mr Jim Styles, managing director of Sky Television, told the Munich conference: "The *future of television is choice* – no different to any other product or service.

"A healthy mixture of fun and thought is how television will develop," he added. "And it will happen automatically."

Quiet revolutionary from Australia

JIM STYLES, managing director of Sky Television, Mr Rupert Murdoch's European company, is adamant about the prospects for its four advertising-financed channels, to be broadcast direct by Astra satellite to dish receivers retailing in Britain at £199.

"It's the way the world will go. People want choice. It's going to happen," says Mr Styles, a quiet Australian who started as a sales representative at Mr Murdoch's first television station in Adelaide in 1958.

Now that the grand announcements are over, it is Mr Styles' job to ensure the establishment by February of three new channels to add to Sky which, six years after its creation, is currently available on cable in 12.6m homes in 21 countries. To date, Sky has accumulated losses of £40m, so the satellite expansion is a considerable gamble.

"We have seven or eight months to put it together and that's not hard," says Mr Styles, who is today travelling to Los Angeles to continue the task of creating Sky Movies, one of the new channels.

There have been previous trips to Los Angeles, and Mr Styles says be already has considerable commitment from the industry for a channel that will show 12 hours of films a day. Sky Movies will be able to draw on the film library of Mr Murdoch's film studio, Twentieth Century Fox, hnt it will not all be Fox, he says.

"I don't have any worries about the quality of the movies. They will be more than acceptable," says Mr Styles, who adds that a pay film channel devoted to newly released films is an additional possibility.

Plans for Eurosport, the joint venture between 15 members of the European Broadcasting Union, inclnding the BBC, and Mr Murdoch's News International, are well advanced.

"We have a business plan. Everything is set np and we are just waiting for the reaction from the European Commission," Mr Styles says.

W.H. Smith's rival satellite sports channel, Screensport, has lodged a complaint that the Eurosport plan to use exclusive EBU rights to major sporting events is illegal under Community competition policy.

Mr Styles says he believes that Eurosport, which will probably employ about 50 people and involve a capital ontlay of around £40m to pay for a package of sports, news, and library material 18 hours a day, will go ahead in some form.

The creation of a 24-hour news channel will probably present the biggest challenge. It has, however, long been an ambition of Mr Murdoch's and Mr Styles says much thinking has already been done.

Studio-based, up-to-the minute news supplied by Murdoch newspapers will be supplemented by pictures from Murdoch's television operation, Fox Broadcasting in the US. Further material will be bought from international news agencies. Links with Britain's Independent Television News are a possibility, but staff camera crews will be hired in the UK.

Mr Styles says the most controversial decision of all - to go for PAL, the dominant existing European television standard, rather than chosing the more sophisticated D-MAC, being used by BSB and Mr Robert Maxwell's cable channels, was logical. The pressure to go for D-MAC was, he believes, "a typical engineering and marketing-led way of trying to persuade people to buy new television sets."

He believes opting for PAL and the cheapest form of receiving equipment will ensure access to 1m British homes by early 1990. "I have no doubt about it," he says.

OBSERVER

Midsummer madness

■ "It was like a scene from Apocalypse Now," commented a police officer resting after the Battle of Stonehenge fought out in the early hours of yesterday.

What started, for the most part, as a good humoured trek from camps near Ameshury to witness the sunrise on Solstice Day ended in violence between the crowd of 4,000 to 5,000 travellers and a line of 1200 police blocking their path.

The police were enforcing a court injunction taken out hy English Heritage preventing access to the stones by all but 500 ticket holders.

Frustrated festival-goers concentrated at the ancient Heel Stone hegan to throw turf, stones, bottles and metal barriers into the flanks of police. Police support units with shields were brought up to strengthen the line until an order went ont to disperse the crowd. A traveller called Don, who would not give his last name, said the police advanced like a "Roman phalanx" into the crowd.

The battle spread across several fields leaving the Heel Stone as an island of protest for four travellers who had scaled it with their hlack anarchist flag. The four remained talking to police officers as Druids in white smocks, jeans tucked into their socks, enacted a ceremony at the stone's base.

There was a certain amount of drink around and Donald Smith, the chief constable of Wiltshire, drew a parallel with the English football hooligans in West Germany last week. "It's the same syndrome in a different way," he said.

Meanwhile, the Druids nttered incantations about "Peace in the *south, north*" and *so on.* Even they are divided. Four different sects were present, including the Ancient Order of Druids headed hy their Imperial Grand Archdruid, Cecil Chapman.

Chapman, 74, thought the ceremony a "lot of bull", and was clearly unconcerned about the world beyond the stones.

Friends together

■ Yesterday was the end of the Toronto summit. It was also the birthday of an unattrihntahle British source.

At the start of a routine morning press briefing a group of British journalists burst into a rousing chorus of Happy Birthday, before presenting the source with a birthday cake and a large teddy bear.

Bernard Ingham, the Prime Minister's Press Secretary – for it was he – professed himself "deeply touched" hy the unexpected display of affection.

After a series of questions on environmental issues, he was asked ahout the "chemistry" between the leaders during the week's discussions. "There hasn't been much acid rain about", he said.

Hervé's new baton

■ Hervé de Carmoy has a number of hurdles to cross before he assumes full command of Société Générale de Belgique. But as someone familiar with the ambitious Frenchman said yesterday: "Hervé would not have started on this unless he could see his way to running it all."

Carmoy has left a deep mark in the hanking world where he made most of his career at Chase Manhattan and the Midland. Both institutions have mixed memories of his passing.

He is impressive to meet: tall, nrbane, quietly persuasive. He also exudes that air of certainty *cultivated hy a particular class of* Frenchman, or is it uncertainty in a predominantly Anglo-Saxon world?

He is a count who prefers not to use the title. David Rockefeller singled him out early on at Chase as a high flyer, and Midland had to make him its most highly paid employee to get him on board.

"Apparently lego is zero-rated."

An energetic organiser, Carmoy specially enjoys dealing with "situations", be it the chaos of Midland's international husiness post-Crocker, or the Third World debt problem. But many people who worked under him complain of his ruthlessness and an inclination to interfere. One former colleague says he was "glad to see the back of him".

Still, those may be the qualities needed to knock Société Générale into shape. At Midland Carmoy was gunning for Europe long before 1992 became fashionable, and his determination and hroad outlook should serve him well.

He was being diplomatic yesterday. Asked how he would get on with René Lamy, the governor *of Société Générale*, he said: "The two of us are in a relay race, but we are running in parallel." To which Lamy rejoined: "In a relay race, when the baton is passed, the two run beside each other for a time." Not for long.

American Master

■ Professor Baruch Blumberg is the first non-Brit to ba elected Master of Balliol College, Oxford and the first scientist that anyone can remember. He does have Balliol connections, however; he took his doctorate there in the mid-1950s, was back as a visiting professor in 1983-84 and one of his daughters read English there.

Blumberg was asked whether he would allow his name to go forward about three months ago and said "yes" without much hesitation. He found the interview*ing procedure impressive.* The Fellows, many of whom he knew already, asked "very appropriate questions".

The College expects its Master to continue his academic activity. In Blumberg's case it is medicine. He shared the Nobel Prize for discoveries concerning new mechanisms for the origin and dissemination of infectious diseases in 1976. Moch of his work has been on Hepatitis B. He is at present at the Fox Chase Cancer Centre in Philadelphia and intends to maintain scientific links with it. He also hopes to have a look at the developmeot of Oxford science in general.

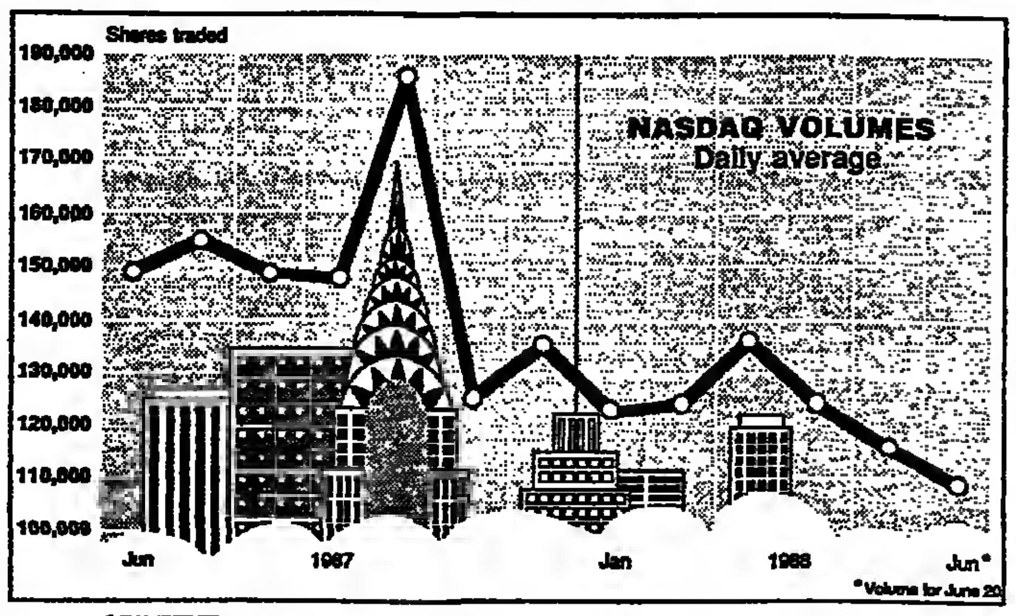
Fund-raising will play a role. Blumberg notes that Balliol traditionally has had a large oumber of foreign stodeots: oot only Americans, but Australians, Africans and Indians. He has travelled widely in his scientific work and kept up with many of them. Seeking funds from non-government sources, he says, is now a key item on the agenda, and Balliol men abroad may help.

One of his recreations, apart from middle-distance running, canoeing and cattle-raising, is squash. When in Oxford he plays with the present Master, Dr Anthony Kenny, whom he describes as "very good - might have played for England".

Blumberg, who is 62, takes over in October next year.

A slump in trading volumes has alarmed US stockbrokers. Janet Bush reports

'The gimme days are gone'



"THEY TURNED the lights out in January," says Mr Rodney Scott, manager of the Wilmington, Delaware, branch of the New York securities house Dean Witter Reynolds.

He, like many stockbrokers with a large clientele of individual investors throughout America, is contemplating the next few months with trepidation.

Mr Scott has to answer to head office about performance when private investors are refusing to bite at yields above 9 per cent in the US Treasury bond market and are showing no interest at all in equities.

As a broker of 17 years standing in the Wilmington community, he has to continue to service the investment desires of his own long-term clients in a market where a good buying opportunity seems harder and harder to come by.

And as a manager, he has to nurse along the battered egos of his stable of young brokers who have never had to sell investments in a bear market and whose living standards have been savaged by a sudden plunge in their commissions.

The stock market's rally to post-crash highs in apparently much healthier trading volume earlier this month prompted hopes that the drought of investment activity was coming to an end.

Last week, however, Mr John Phelan, chairman of the New York Stock Exchange, said: "The problem of low volume is getting worse not better. In January, we saw a lot of major corporations staying out of the market. In June, more and more corporations are saying, 'What kind of silly market is this?' The big players are now getting out."

Mr Phelan reckons that, stripping out trading associated with capturing yields on stocks about to go ex dividend, about 80m to 120m shares are being traded on the NYSE a day, compared with 160m to 180m before the crash.

"Institutions and individuals have been scared for six months. Suddenly, that fright has been replaced with long-term fear which is a heck of a lot more scary," he said.

Institutions and investors are now becoming aware of what Mr Phelan describes as a "growing, creeping reality": that the markets are no longer liquid and that not everybody can get out of the market when they want to.

The reluctance of individual investors – the backbone of long term investment in securities – to return to the market now that the initial shock of the October 1987 crash has subsided is a major issue confronting the US securities industry.

This was borne out by several brokers in Wilmington, in the tiny state of Delaware on the eastern seaboard. The state has long had an accent on commerce and finance due to the dominance in the state of the Du Pont chemical company, which has well developed employee equity schemes; Delaware's liberal incorporation laws, which have led to more than 50 per cent of the Fortune 500 companies making the state their legal home; and a 1981 state law stipulating that lenders could charge what they liked on credit card loans, which attracted major banks.

In the aftermath of the crash, even Delaware has suffered from the alarming lack of interest in the nation's capital markets. "Since January, the apathy has just deepened. I have never in all my years in the business seen activity quite this dead," said Dean Witter's Mr Scott.

The fall-out from the crash had a devastating immediate effect on the securities industry as a whole. Some companies merged, as in the case of E F Hutton with Shearson Lehman. Many others reported hefty losses in the final quarter of 1987 and a few thousand people lost their jobs.

Some specialists on the floor of the New York Stock Exchange who make markets in equities still managed to make record profits in 1987. But a poll of 49 brokers serving individual investors throughout the country released early this month by the Securities Industry Association (SIA) suggests that retail brokers' earnings have fallen about 27 per cent since the crash.

Headline volume figures published by the major stock exchanges give only the vaguest idea of individual investment since the crash. Volume since the crash has been inflated by various different trading strategies such as dividend capture, stock index arbitrage and corporate share buy-back schemes as well as speculation on takeover stocks.

But figures provided by the SIA show a decline in the proportion of total volume on the New York Stock Exchange accounted for by retail and institutional activity.

This share of retail activity of total volume dropped to 24 per cent in the first three months of 1988 compared with 27 per cent in 1987, and the proportion of institutional trading fell to 39 per cent from 42 per cent.

Meanwhile, "other activity" – which includes dividend capture and other schemes – accounted for 14 per cent of total NYSE volume in the first quarter of 1988, compared with only 4 per cent a year earlier.

Mr Dace Blaskovitz, who runs the Wilmington office of Butcher & Singer, a brokerage house with a long tradition of conservatism, bemoans the lack of genuine investment: "The equity market was always there to raise capital. It was the lifeline for companies. You look at it now – take away the dividend plays and the stock index arbitrage and you are trading maybe 50m shares a day."

The official figures show that, on NASDAQ, the over-the-counter market, where individual investors account for something like 50 per cent of normal activity, the daily average volume fell to 117,000 shares in May compared with an average of 145,000 in 1987.

On the New York Stock Exchange, last month's daily average was 154m shares compared with the 1987 monthly average of 189m.

It is the fear of continued low volume which has provided the impetus for efforts within the industry and in Congress to dampen down market volatility and so woo investors

It was not in the spirit of public service that most of the major securities houses involved with the form of computerised trading called stock index arbitrage decided to refrain from this strategy on their own accounts. It was rather that they knew that public fear – and disapproval of the trading technique within the industry itself – was beginning to wreck their traditional securities business.

Although there is very little understanding of these computerised trading strategies among individual investors and among brokers themselves (as many acknowledge), program trading is cited by all as one of the key reasons why individuals are reluctant to return to the equity market.

Outside the narrow confines of Manhattan's financial district, the securities business is less institutionalised, more down-to-earth and palpably more personal. One finds a deep resentment about what many ordinary brokers feel has been the corruption of the stock market by huge Wall Street firms. They are regarded as having been driven, not by customer service, but by profit, speculation and a thirst for power.

Mr Blaskovitz says what is perceived to be the casino aspect of the last few years in the stock market is now the major disincentive to investment.

Some old hands in the business believe that rebuilding investor confidence could take years, not months.

Mr William Jones has been a broker for 29 years. He works at Merrill Lynch's office in Wilmington and is one of the top 20 performers of the company's 12,000 brokers around the country. He says: "Investors burned in the 1970s didn't come back until the 1980s. I say to my clients: 'You had open heart surgery in October. You can't go running around the track right away'."

Mr Blaskovitz believes a lot of the jobs added to the industry during the bull market will just as quickly be shed again. He estimates that thousands of brokers will go out of business over the coming months, but that will leave great opportunities for the ones that are left.

He believes that in the post-crash period, the primacy of customer service will return. Only 33 himself, he tells his young brokers: "We have got to go back to basics. I am telling my young brokers, 'You want to survive? Go out and *earn* your money. The gimme days are gone'."

Curiously, evidence suggests that individual investors have a great deal of cash available to invest. Mr Barton Miller, a broker in the Wilmington branch of Alex Brown, the oldest US securities firm (which financed the building of the first US railroad from Baltimore to Ohio), believes they are eager to do so when the right opportunity comes along and nerves are less frayed. He believes the problem lies not with the individual investor but with the securities industry itself.

He says: "What is happening in the markets today is a reflection of the emotional condition of the brokers. They are too worried to do anything. They are worried about their jobs, management changes at their companies, the payments on their BMWs and their condominiums. Brokers are in a state of emotional seizure and, ironically, their customers are not."

Britain's health service

Why tax reliefs are not the same as opting out

By David Green

MR JOHN MOORE, Britain's Secretary of State for Social Services, is reported to be sympathetic to the use of tax reliefs to encourage greater private spending on health insurance. The Treasury is opposed, though Mr Nigel Lawson, the Chancellor, has announced that he supports tax relief for the elderly. The Treasury offers two main arguments against tax relief for the non-retired, arguments wholeheartedly endorsed by the Financial Times (June 16 1988).

The first is that the Government's general taxation strategy has been to simplify the tax system. To grant a new tax relief for people who take out private health insurance would add a new complication and make it more difficult to resist pressures for still more concessions, not least from individuals paying personally for higher education and employers who provide crèches.

Second, the Treasury argues that the purpose of a tax relief is to bring about a behavioural change in the recipients and that, since some 6m people already have private insurance, a tax relief will not alter their behaviour. The "deadweight" cost of tax relief for those who already have private insurance is put at about £200m. The Treasury expects that more people would take out new health insurance policies but fears that the additional private spending on health insurance premiums encouraged by tax relief might be lower than the deadweight cost, producing a net fall in private spending. If so, this would make tax relief a "bad buy".

It should not be forgotten that taxes start life as hard-earned incomes and the Treasury's problem is not, as the term "subsidy" implies, to determine whether a tax relief in the sense of a gift can be justified, but to establish whether there are grounds consistent with the common good for giving people back their own money.

The Treasury is right to point out that a simple, open-ended tax relief for private health insurance might be a bad buy. But neither it nor the Financial Times editorial acknowledges the very substantial difference between, on the one hand, paying tax relief to people who spend on private insurance while also remaining entitled to use the NHS free of charge and, on the other, a tax credit or voucher payable only on condition that each beneficiary gives up his right to use all or some NHS services free and instead undertakes to pay for his own treatment, whether received in a private hospital or an NHS pay bed.

If people were offered a voucher (equivalent to a proportion of what it would have cost the NHS to treat them) on condition that they (a) took out private insurance to the value of the voucher or more, including catastrophe cover; and (b) relinquished their claim to free NHS services, then the ensuing changes in behaviour, not only by individual citizens but also by insurers and health care providers, would be significant.

First, those opting out would find it necessary to take out a different kind of insurance policy from those currently available. Existing private insurance plans are intended to give people better access to around 30 elective surgical procedures which are often only available under the NHS after much waiting. But people accepting personal responsibility for their own health care spending would require far more comprehensive policies covering all medical expenses including maternity care. Thus, the 6m who have private insurance would only receive a tax relief if they took responsibility for their own health care expenditure.

Second, the demand for more comprehensive insurance policies would create an incentive for the insurance industry to produce, very different products. Instead of only offering insurance for the services the NHS provides inadequately, policies offering far fuller coverage would emerge, as they have in other countries.

Third, opting out would provide an incentive for the NHS to improve its performance. NHS managers would no longer receive government funding for people who had opted out, but they would have an incentive to attract them back as paying customers. Armed with the power to choose between public and private hospitals, people who had opted out would no longer accept with gratitude the service bestowed on NHS claimants, but expect to be treated as valued customers. This would lead to greater consumer responsiveness within the NHS.

Nor would it any longer be appropriate to argue that the net private contribution to health care would fall. Not only would there be no something-for-nothing deadweight cost, it would also be implausible to claim, as the Financial Times does, that a 50 per cent increase in the coverage of private health insurance to 9m people would be necessary to counterbalance the supposed deadweight cost. This figure is based on American experience of changes in the demand for health insurance which occur as a result of price adjustments. But the American market is very different, not least in that at US spending levels, health insurance is closely akin to luxury goods. People behave very differently when they are buying basic health insurance for their families, and a more reliable indicator would be the surveys of demand carried out by the Institute of Economic Affairs over 25 years which asked people to state how much of their own money they would be willing to spend on health care if they were given vouchers of various values. In brief, the surveys reveal a huge pent up demand for private health insurance.

No less important, a huge spending burden would be removed from the government's shoulders. Moreover, the requirement that beneficiaries give up their claim to free NHS services would mean that allowing a tax credit for health insurance would not set a precedent which would make it harder for government to resist pressure for other tax reliefs. The conditions attached to acceptance of health insurance tax relief, particularly the requirement to give up one's entitlement to free NHS services, would have no parallel in other spheres such as higher education.

The overall result would be a reduction in the power of government and a corresponding increase in the capacity of individuals to take personal responsibility for their spending, an outcome consistent with the Government's wider taxation strategy. All told, a tax credit conditional upon opting out of the NHS would make good sense, whether judged from the narrow standpoint of public expenditure control or the wider one of extending the bounds of a free society.

The author is director of the Institute of Economic Affairs Health Unit

Letters to the Editor

Dumping means causing injury

From Mr Peter C. Forster.

Sir, Mr Morita of Sony, as reported in your edition of June 20 ("Sony boosting output of European-made televisions"), perpetuates the misunderstanding between dumping and legitimate imports.

European Community regulations define dumping as a strategy adopted by a foreign producer by which it prices its products for export at a lower price than that which it sells on its own market.

When this is shown to be correct, there must also be evidence that the "dumped" or subsidised goods must be causing or threatening to cause injury, and that the interests of the Community must call for protection.

From observation of Sony's operations in Europe, I believe Mr Morita really wishes to encourage local component suppliers for "screwdriver" plants – facilities which assemble products from components largely supplied by the Far East – but he will not do so by importing components at artificially low prices against which European manufacturers have no hope of competing.

Dumping is illegal and therefore indefensible. It will terminate industrial activity in Europe – and lose jobs. The offending nations ensure that reciprocal action cannot be taken in their home market. Why is it iniquitous if Europe acts similarly?

Peter C. Forster,
Philips Electronics,
Philips House,
188 Tottenham Court Road, W1

The Barlow Clowes inquiry

From Lord Bruce of Donington.

Sir, Your report (June 16) that "Sir Godfray Le Quesne would lead an investigation into *the Government's* role in the events leading up to the Barlow Clowes crash" (my italics) is, unfortunately, not quite accurate.

The announcement made in the House of Lords on June 13 by Lord Young of Graffham, Secretary of State for Trade and Industry, was:

"I shall appoint an independent person of standing to report to me as soon as possible on the *facts of* my Department's handling of the matter".

The words italicised were added by the minister as an oral addendum to the official Department of Trade and Industry (DTI) text as circulated normally to Opposition spokesman shortly before the enunciation of the statement itself. They are however of some significance, or why bother to insert them?

Clearly a report on *the facts* is much more restrictive in scope than a report on the role of the Department which, of necessity, would include objective judgements not only on the facts but upon the absence of critical items of information including, perhaps, conversations between officials and ministers who, after all, can be expected to have read newspapers, to have had ready access to City information and to have had, however informally, contact with the Securities and Investment Board.

Since, moreover, the eventual report is to be made to the minister himself, it is quite clear that he regards himself as being outside the scope of the enquiry, and that no wider question of "the Government's role" will be considered.

Evidence to the investigator will not be given on oath and, according to the minister, "subject to there being no legal impediment, either as to content or to timing," he proposes to publish the final report. But as your June 15 feature correctly points out, these stipulations "should enable him to cut out anything protected by the Official Secrets Act."

As interpreted by the Government in the Spycatcher case, this could inevitably mean the suppression of any communication, oral or otherwise, regarded as confidential as between a minister and his officials, a minister and his colleagues, or even between officials themselves.

May I respectfully suggest that what the public in general and the City in particular require is "the truth, the whole truth and nothing but the truth" concerning the *Government's* entire role in this matter?

Bruce of Donington,
House of Lords, SW1

Romania refuses to ease restrictions

From Mrs Iolanda Stranescu.

Sir, Judy Dempsey's report from Vienna (June 14) on the Romanian refusal to sign a final document at the Conference on Security and Co-operation in Europe (CSCE) follow-up meeting is revealing in more ways than one.

The rejection of the proposal for freer travel and emigration is in direct contravention to the spirit of the Helsinki Agreement; the proposed creation of organisations to monitor the implementation of this Accord is obviously considered by the Romanian authorities to be nothing short of subversion.

The Communist government in Bucharest is now openly declaring its refusal to observe even elementary human rights. This unambiguous position is in line with the public rebuke given by the Romanian government to the US in February 1988, following the suspension of its "most favoured nation" trading status. President Ceausescu used a press release to make public his refusal to negotiate any further on this issue as long as the US insisted on maintaining the "Jackson-Vanik" amendment, which made extension of the clause conditional on performance in the observance of human rights.

Far from being reprimanded by the USSR, as "Gorbamania" would want it believed, Mr Ceausescu was awarded the Lenin Order for his outstanding achievements in the destruction of freedom and human dignity.

Iolanda Stranescu,
British Romanian Association,
26 Queen Anne Street, W1

Report based on an unusual definition of smoking prevalence

From Mrs Joy Townsend.

Sir, The study by the Institute of Fiscal Studies (IFS), reported on June 13 ("The poor go on puffing."), is misleading. The press release sent out with it is even more so.

The authors' provisos were not in the press release or report conclusions which, on the contrary, go beyond the findings of the study. The report frequently refers to percentage of smokers, but in fact the unity of data used in the study is household expenditure on tobacco.

Household size varies from one to six or more persons, but if any member buys tobacco, the household is considered "a smoker" even if one, two or more members give up. This unusual definition of smoking prevalence seriously dilutes the potential for reduction of prevalence of smoking, and is the reason for the unusual conclusions.

This definition is clear in the text, but not in the tables – headed, for example, "Percentage of smokers by income group" – nor in the press release, which starts by saying: "The price of cigarettes affects the amount which smokers spend but not the decision to give up smoking." No such conclusion could be drawn from their data, as the authors agreed at their press conference.

There is excellent data available, which was accessible to them, on *individual* smoking habits. The General Household Survey (published by the Office of Population, Censuses and Surveys), shows that smoking prevalence has fallen since 1972 across all socio-economic groups, in men and women and in all age groups.

In the period during which there was a significant price rise (1980-1986) the number of smokers fell by 15 per cent; and the amount smoked per smoker fell by 7 per cent. This suggests that the important effect of the price rises has been on the decision to smoke, rather than the amount smoked.

This confirms US studies, which report that the significant effect of price rises has been on individual smoking prevalence. From 1970 to 1980 prices fell in real terms by over 25 per cent. As the IFS paper shows, household expenditure on tobacco by the 50 per cent of households with lower incomes rose (the lower prices encouraged their smoking); it fell in the higher income 50 per cent of households which are less influenced by price. From 1980 to 1984 cigarette prices rose in real terms by 25.4 per cent, and expenditure by all income groups fell in real terms (including a 9 per cent fall in expenditure by the poorest 5 per cent, and a 3 per cent fall by the richest 5 per cent).

The issues addressed are very important ones for the health of the UK. The way this report was launched is disturbing, and it has misled. For example, your report says: "smoking is on the decline among high income groups and rising among the lower." This is untrue; smoking is falling among lower income groups. You also say: "the better-off react to high prices either by stopping or by cutting back; the poor go on smoking." The poor, in fact, have reduced their smoking more in response to price increases than the well-off have – as one would expect.

Joy Townsend,
Medical Research Council Epidemiology and Medical Care Unit,
Northwick Park Hospital,
Watford Road,
Harrow, Middlesex

FINANCIAL TIMES
Wednesday June 22 1988

Maggie Ford in Seoul reports on a difficult round of wage negotiations

Foreign bankers get a bumpy ride in Korea

CUSTOMERS OF Barclays Bank in Seoul could be forgiven for believing they were in the laid back tropical atmosphere of Honolulu rather than the export power house of South Korea. Staff in T-shirts and jeans continue to serve customers, but it is clear from the dozens of protest posters on the walls that all is not well.

Barclays is one of several foreign banks in South Korea which are enduring a difficult round of wage negotiations as the country struggles through its transition to democracy.

Bankers can judge the feelings of the staff by noting the decline in dress standards. First, ties come off and uniforms are swapped for the staff's own clothes. These are smart initially, but later they become casual, even scruffy. When employees put on head bands adorned with slogans, managers know things are serious.

The most grievously affected bank so far is Westpac of Australia. As a result, Mr Hugh Spring, the manager, along with most of his senior male staff, is conducting business from a hotel suite, having been barricaded out of the branch office by the union.

Recently, the 19 union members, 17 of them women, held a demonstration outside the Australian Embassy, asking for diplomatic intervention to persuade Mr Spring to engage in "sincere negotiations" and to stop wasting money on legal advice and expensive hotel suites.

The union has claimed a pay rise of 22 per cent on the basis of comparability with other foreign banks. Westpac has offered 13.5 per cent. A further dispute has arisen over distribution of the cash between merit, percentage and flat rate rises.

While tempers appear to have become particularly heated in this dispute, negotiations have been hampered by the lack of an arbitration system in South Korea. Appeals by management for the Government to intervene have been unsuccessful, because the Ministry of Labour's policy is that disputes must be resolved between the two parties. Staff have no confidence in the legal system and this further restricts managers' options.

Mr Chris Martin, the manager of Barclays, is faced with an even more complex situation than Westpac. Comparability figures on pay assembled by his staff showed salary patterns unusual in South Korea and reflected the bank's equal opportunity policy. The majority of Mr Martin's senior employees are women, who have flocked to foreign businesses in recent years because they are not granted career promotion in local companies.

At the bottom end of the salary structure sit the men doing clerical work, who tend to be lower paid than other banks' male employees because the bank has hired staff straight from university. In a country which practises strong discrimination against women, tensions have apparently arisen in what Mr Martin has previously found to be a successful policy.

Both the bank unions and the management have had strategy planning sessions and a number of officials from other branches arrived to support the Westpac women yesterday. The three large US banks in Seoul - Citibank, Chase Manhattan and Bank of America - remain in normal negotiation, although staff at Citibank have had a one-day "uniform protest."

Both unions and management are clearly feeling their way in a new situation. Until last year few banks had unions and management awarded pay rises usually according to government guidelines. Pay rates are somewhat higher than in South Korean companies. This partly reflects the fact that a small foreign branch cannot offer the career structure of a big corporation.

Working in the finance industry and for foreign companies has become increasingly popular in recent years, both among Koreans wishing to avoid the authoritarian control of some big local companies and among well educated women. But attitudes towards what is regarded as a fair pay settlement vary widely, between each bank and each union, boosting the complexity of negotiations and providing few basic guidelines in the absence of the previous rules.

Few managers seem to be concerned about the basic attitudes and commitment of their staff, however, especially as profits continue to grow despite a less straightforward business environment. For although a manager will grit his teeth at the sound of a revolutionary song from the banking chamber, he may also find that the singers are processing letters of credit at the same time.

STAFF RALLY ROUND AS TENSION HEIGHTENS

STAFF OF foreign banks rallied yesterday in support of their colleagues at the Seoul branch of Westpac, the Australian bank, as employees of other foreign organisations also started to take action, Maggie Ford writes.

The rally follows an apparent heightening of tension between the two sides at Westpac, with staff complaints of "mocking behaviour" by the manager receiving coverage in the local press.

An incident in which the union claims it was locked inside the branch by the manager, who points out that an emergency exit was available, has increased concern about the polarisation of positions.

At Barclays Bank however, initial agreement has been reached amicably over last year's pay increases and further progress is expected.

At the office of the Japanese-owned Mitsui trading company, however, staff donned headbands and barricaded managers out of the office, asking for an end to "oppressive management." Wall posters at the office apologised to customers for the inconvenience.

At the French embassy in Seoul, employees decided to switch to casual clothes today, including Korean traditional dress for women, in a pay protest.

Embassy workers have not yet secured formal registration of their union, which would be the first time such recognition was granted in a diplomatic establishment in South Korea. They have said they will strike on July 14, Bastille Day, if negotiations do not proceed.

Meanwhile, workers at Hyundai Motor, South Korea's main car maker were awaiting the outcome of pay negotiations following the company's decision on Monday to lift the lockout imposed on June 1.

Management and union negotiators were expected to finalise the pay agreement, allowing work to proceed normally today.

Japanese banks balk at proposed UK rules

By David Lascelles, Banking Editor, in London

JAPANESE bankers in London have complained to the Bank of England about new regulatory proposals which, they say, will add to their costs and could force them to transfer business out of the UK.

The Bank intends to hold discussions with the Japanese banking community as well as the Ministry of Finance in Tokyo to see if their complaints can be resolved.

The cause of the Japanese representations is a proposal published by the Bank of England in March laying out new rules on bank liquidity. This says banks must have access to pools of cash and readily realisable securities to meet pressure on their cash flow or sudden calls on their funds.

The Japanese are annoyed because the proposals are specifically intended to apply to the UK branches of foreign banks as well as to domestic banks. They maintain that they manage their liquidity on a global basis and should not be expected to assign part of it to a particular branch.

They are also unhappy about the various stocks of liquidity which the Bank is proposing. The Japanese say they are too restrictive and will reduce their ability to trade profitably in the money markets.

A spokesman for Mitsubishi Bank, which is leading the representations in its capacity as current chairman of the Japanese Bankers Association, confirmed yesterday that a formal submission had been made to the Bank, but he declined to comment.

However, another senior Japanese banker said: "If the Bank of England introduces these rules, perhaps we shall have to transfer operations from the UK to other countries."

Bankers from other foreign countries have also expressed reservations to the Bank about the liquidity rules. However the Japanese are taking the strongest line because of their high dependence on money market trading as a source of profits.

The Bank says it will be considering bankers' submissions before finalising its rules.

The Bank's proposal offers a way round the complaints. It says that banks can be excused from the requirement so long as their liquidity is being effectively monitored at head office. So the Bank may seek an understanding with the Japanese authorities.

US says China policy switch raises Kampuchea peace hopes

BY LIONEL BARBER IN WASHINGTON

CHINA has substantially softened its support for Pol Pot and his Khmer Rouge guerrilla fighters, raising hopes for an end to the nine-year-old war in Kampuchea and the Vietnamese occupation of the country, according to US officials.

The Pol Pot regime is thought to have been responsible for the deaths of between 1m and 2m Khmers in the period between 1975 and 1979. The prospect of a return to power of Pol Pot and his supporters has been one of the main worries of the international community.

A US Government official said yesterday that China had shifted its position on the composition of a coalition government for Kampuchea after a withdrawal of Vietnamese troops as part of a negotiated peace settlement.

Peking has told Washington that it reaffirmed that Prince Norodom Sihanouk, who was ousted in 1970, should lead such a coalition. But it has also said that the Khmer Rouge could no longer claim the right to play a dominant role in such a coalition.

A peace settlement in Kampuchea would be of major international significance, particularly for relations between the Soviet Union and China. Peking has listed Soviet backing for Vietnam's intervention in Kampuchea, along with its occupation of Afghanistan and the heavy presence of Soviet troops along the Chinese border, as the three main obstacles to the re-establishment of close relations.

A further sign of progress is expected next month when three guerrilla factions headed by Prince Sihanouk, Khmer Rouge representatives, and the Vietnam-backed regime, are due to hold talks in Jakarta, Indonesia.

A US official said Washington was cautiously optimistic about the talks.

According to reports in Washington, Moscow has indicated it would like the US to act as an international guarantor of a settlement in Kampuchea, much on the lines of this year's United Nations sponsored accord on the withdrawal of Soviet troops from Afghanistan.

Washington has yet to respond, but it has been encouraged by the shift in China's position and the announcement by the Vietnamese Government last month of plans to withdraw 50,000 of its 120,000 troops from Kampuchea by the end of the year. The withdrawal of Vietnamese troops and self determination for the people of Kampuchea form the two basic US demands for a settlement.

A key unresolved issue is the future of Pol Pot and his guerrilla forces. The US official said China had not said it would take Pol Pot and his top aides out of the country and give them permanent asylum in China.

However, by conceding that Prince Sihanouk should head a future coalition, China has led Washington to believe that Pol Pot would not be part of such an arrangement. This in turn has raised hopes of a deal whereby Pol Pot would leave Kampuchea and seek refuge in a friendly country such as China.

Our Moscow correspondent writes: A Soviet official yesterday expressed optimism about the development of relations with China after talks between the two countries in Moscow.

Mr Igor Rogachev, deputy Foreign Minister, and head of the Soviet delegation at the 12th round of the Sino-Soviet talks, said yesterday he saw "great potential for forward movement in Chinese-Soviet relations in a number of areas."

However, the Tass news agency reported from Peking that Mr Rogachev's Chinese counterpart, Mr Tian Zenpei, said no developments emerged on "concrete questions."

Chinese companies complete big British investment deals

BY PAUL CHEESERIGHT, GORDON CRAMB AND COLINA MACDOUGALL IN LONDON

THE CHINESE Government yesterday announced its first significant direct investments in Britain - two deals worth an estimated £47m ($84m).

China Merchants' Group, a shipping and investment company, is paying some £29m to enter the UK insurance and offshore oil service businesses.

Separately, the Tianjin Municipal Government in a joint venture with Mountleigh, the British property group, has bought 12 acres of land in London's Docklands for a commercial, cultural and trade centre.

Although no price was disclosed, it is thought they paid about £36m for the site, where the venture plans a property development covering nearly 1m square feet and costing about £125m.

China Merchants is likely to emerge as the biggest mainland Chinese employer in the UK, with a staff in the region of 1,000.

Until now, Peking's commercial presence in Britain has been confined to banking and several other small representative offices.

The group is to buy several other concerns through its China Merchants Investments (Hong Kong) offshoot, including Houlder Offshore, the biggest UK supplier of drilling rigs, Furness Houlder (Insurance), a Lloyd's broker, and MU Oxford Holdings, which operates Scottish Lion Insurance, a marine underwriter.

The three units are being sold by Orient Overseas (Holdings), itself part of the C.H. Tung shipowning group of Hong Kong. They were acquired as part of the 1980 takeover by Tung of the Furness Withy shipping company.

Orient Overseas has been seeking to sell non-core assets following a rescue of the Tung empire completed 18 months ago.

The Peking company, which until now has been largely active in Hong Kong, regards the acquisitions as an investment in which it will have no managerial role.

At the same time, it wants the insurance operations to form part of its broader maritime activities. Some insurance for its own fleet will be handled through Furness Houlder and Scottish Lion.

China Merchants may consider a resale of Houlder Offshore, which operates from Aberdeen, Scotland. Houlder employs several hundred at peak periods, many on short-term contracts, but has been hit by the downturn in North Sea exploration activity.

In the Docklands property deal, negotiations between the London Docklands Development Corporation, the land owner, and the joint venture partners were completed last week in Tianjin, north-east China, Mountleigh said yesterday.

The land, which is in the Isle of Dogs, east London, is likely to have cost about £3m an acre.

Lyonnaise des Eaux bids for UK water group

By Nikki Tait in London

LYONNAISE DES EAUX, one of France's three largest water suppliers, yesterday launched a £47.6m ($85m) recommended cash offer for Essex Water Company, the largest of the 29 statutory water companies in the UK.

Activity in the stock of Britain's statutory water companies has seen a surge, as investors have seen the potential which could be on offer after the privatisation of the 10 water authorities. The French water companies, in particular, have acquired a number of minority stakes.

The Essex offer is the first full bid for a water company, and its terms set a new pricing level within the sector. The bidder is offering 900p per £1 nominal for the voting consolidated ordinary and new ordinary stock; 54p per £1 nominal for the 2.45 per cent preference stock; and 78p per £1 nominal for the 3.5 per cent preference stock. A year ago, ordinary stock in Essex was trading at about 55p.

Yesterday, securities house BZW, one of two market-makers in the water companies' stock, said prices moved up by 100p-150p yesterday.

Stockholders speaking for 41.6 per cent of the nominal issued voting stock have given undertakings to accept the offer.

The 29 water companies work alongside the 10 regional authorities, supplying about one-quarter of the UK's water under agency agreement. At present, companies' profits and activities are strictly regulated by the Government. However, the hope is that the companies will be allowed to convert to profit-making status when privatisation takes place, possibly in autumn 1989.

It is seen as one of the best-run water companies and under a two-year plan has virtually halved its workforce to 500 people, financing the slim-down by the sale of surplus assets. In 1987, it made pre-tax profits of £5.8m, including an exceptional surplus of £1.77m, on sales of £30m. Net assets were put at £30.2m.

Lyonnaise already owns stakes in the UK's Bristol Waterworks and East Anglian Water Company.

Lyonnaise, quoted in Paris, has a market capitalisation of about FF6.9bn ($1.2bn). Its operations range from water supply and waste disposal to pollution control, industrial heating, funeral services, and cable television.

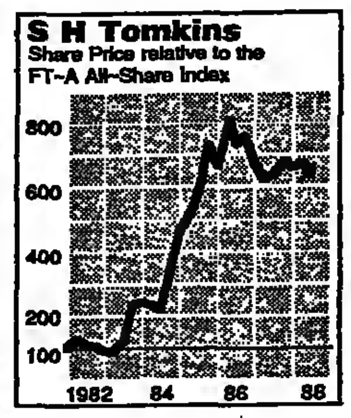
THE LEX COLUMN

Tomkins' turnup for the Swedes

The spectacle of Murray Ohio bitterly opposing a bid from one nasty foreigner, only to welcome Tomkins' offer of not much more money, is an odd one. It seems that the UK company - not known for its tolerance of sluggards at home - has convinced Murray's management that it is looking for "revitalisation opportunities"; whereas Electrolux presumably talked of rationalisation, and every worker knows what that means.

Whether or not the people of Lawrenceburg, Tennessee fare better with UK owners, the 2p fall in Tomkins' shares to 234p shows the market has its doubts about the deal. Perhaps it does not believe a random pattern of earnings is worth a multiple of 15, and does not like the prospect of another £80m of paper. The speed with which Electrolux dropped its bid seems only to confirm the fullness of the price.

Still, the convincing story told by Tomkins might have won shareholders round were they not so much against anything conglomerate. The purchase does not seem to dilute earnings, it satisfies Tomkins' desire for a bigger position in the US, and its main business - lawnmowers - is familiar turf. Moreover there is room for Tomkins to do what it is good at, by managing the working capital better, making production more efficient, and improving marketing. The risk lies in the bicycle business, which has been making heavy losses and is only now being brought into line. This is not a market in which Tomkins has any experience, and as TI's shareholders will remember, it is not an easy one either.



Essex et Cie.

Forget French impressionists, Australian dollar bonds, Chinese ceramics, or even Rowntree shares. The smart investor should have been picking up the stock of the Essex Water Company, which was trading at 55p a year ago and has now been priced at £9 by Lyonnaise des Eaux. Clearly, the French giant sees value in a backwater of the UK stock market which has been overlooked by the more aggressive UK fund manager, and its agreed bid for one of the best run UK water works has implications not only for the financing of the rest of the sector but for the Government's plans to privatise its much larger water authorities.

Of course, the French might have got it horribly wrong. They are paying a premium of around three quarters over an already inflated price, for stock which is yielding 9.3 per cent. If the privatisation of the UK water industry is either abandoned or delayed for a significant period, then the investment is going to have looked a clumsy manoeuvre by a company which has more money than it knows what to do with. This is a risk which is probably worth taking, and if Essex is valued at around 12 times earnings, rather than by comparison with the traditional yield of around 9 per cent on War Loan, then the price being paid does not look so silly.

However, it would be dangerous to rely on the old rules of thumb and assume that just because Essex is worth £9, so are East Anglian, Bristol, and everybody else. Differing voting structures, operational efficiencies and growth patterns mean that serious analysis of this sector is long overdue.

Argyll

From the analysts' viewpoint, Argyll's admirable precision in showing the exceptional costs of changing Presto into Safeway is proving a touch confusing. Most take the view that, since much of the spending is of a kind being undertaken by other retailers anyway, earnings should be calculated after exceptionals; in which case, as these costs fall from last year's £43.5m to £26m this year and £10m in each of the next two, earnings will rise steeply, and the current year multiple of 14 or so may be taken as justified.

There seems scope for unusually high growth in underlying earnings as well, at least for the three or four years which it takes to finish marrying up Argyll's traditional grip on the supplier with Safeway's on the customer. Even before that period is up, Argyll is likely to find itself catching up its industry to the extent that, like Sainsbury, it will be looking to overseas markets. The scope for earnings outperformance, though, may well be in the price - as it may be for the sector as a whole, even on the assumption that the industry will let its margins creep up over the next two or three years to achieve a return on past capital spending.

Brokers' research

The latest Extel survey of brokers' analysts again confirms how hard it is to break into the circle of top research houses established since Big Bang. James Capel is still in front, where it probably must remain if it is to hold its position as the last big research-based agency broker; and it takes until fifth position, with the arrival of the merged County and Wood Mackenzie, before the rankings change.

Below that, the developments are of a predatory nature; the rise of Kleinwort Grieveson through the recruitment of ranking analysts in no less than four sectors in the course of the year, and the quieter emergence by the same route of Morgan Stanley, both having benefited from the demise of Greenwell in equities and the weakening of Scrimgeour. Cutting across all this, though, is the finding that the quality of research in London is seen as in decline. As a response to calamitous levels of business and the need to generate volume, this was to be expected; the longer it goes on, though, the less the research rankings may be telling us about what is really happening in the market.

Texaco

One has to admire the *chutzpah* of Kohlberg Kravis Roberts in delivering Texaco from the arms of Mr Icahn. In voting its decisive five per cent stake with the board it has scored both a moral and a financial victory. It has told Texaco's shareholders not to be so greedy and to give the management a chance, and has even hinted that one day, if everything goes right, it might even buy more shares itself. Texaco's investors - whose shares are worth 10 per cent less now that Icahn has been defeated - may not be altogether reassured. Before casting its vote KKR had sold its stake, for an estimated profit of $150m.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	20	68	Dubrovnik	S	25	77	Malta	S	27	81	Rhodes	S	26	79
Algiers	S	26	79	Edinburgh	C	17	63	Manchester	C	19	66	Rio de J'o	C	[illegible]	80
Amsterdam	S	[illegible]	[illegible]	Faro	S	23	73	Manila	C	33	91	Rome	F	27	81
Athens	S	26	79	Florence	F	25	77	Melbourne	F	13	55	Salzburg	F	19	66
Bahrain	F	36	97	Frankfurt	C	19	66	Mexico City	C	25	77	San Francisco	F	17	63
Bangkok	F	33	91	Funchal	F	21	70	Miami	C	28	82	Seoul	F	31	88
Barcelona	S	25	77	Geneva	F	24	75	Milan	S	23	73	Singapore	F	32	90
Beirut				Gibraltar	S	[illegible]	[illegible]	Montreal	C	22	72	Stockholm	[illegible]	21	70
Belfast	R	13	55	Glasgow	D	15	59	Moscow	F	22	72	Strasbourg	F	21	70
Belgrade	C	22	72	Guernsey	S	19	66	Munich	C	17	63	Sydney	F	21	70
Berlin	S	18	64	Helsinki	R	21	70	Nairobi	C	21	70	Taipei	C	34	93
Biarritz	S	20	68	H. Kong	F	32	90	Naples	F	26	79	Tangier	F	24	75
Bombay	F	31	88	Innsbruck	F	20	68	Nassau	C	30	86	Tel Aviv	S	30	86
Bordeaux	S	26	79	Inverness	R	15	59	New Delhi	R	34	93	Tenerife	F	24	75
Brussels	C	14	57	Islamabad	C	38	100	New York	F	30	87	Tokyo	C	23	73
Budapest	C	23	73	Istanbul	R	24	75	Nice	C	23	73	Toronto	C	34	93
B. Aires	C	17	62	Jakarta	C	33	91	Nicosia	F	38	100	Tunis	S	28	82
Cairo	S	36	97	Jersey	S	23	73	Oporto	S	21	70	Valencia	S	30	86
Cape Town	F	14	57	Jo'burg	F	14	57	Oslo	S	25	77	Venice	S	24	75
[illegible]	R	[illegible]	73	[illegible]	C	19	66	Paris	F	24	75	Vienna	C	20	68
Casablanca	S	23	73	Lisbon	F	26	79	Peking	F	27	81	Warsaw	C	19	66
[illegible]	S	25	77	London	C	23	73	Prague	F	18	64	Washington		-	-
[illegible]	C	21	70	Los Angeles	C	23	73	Reykjavik	C	7	45	Zurich	C	18	64
Copenhagen	F	18	64	Luxembourg	C	19	66								
[illegible]	S	[illegible]	81	Madrid	S	25	73								
[illegible]	S	[illegible]	[illegible]	Majorca	S	27	81								
[illegible]	C	17	63	Malaga	S	28	82								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK tries to limit European VAT ruling

Continued from Page 1

was determined to retain a single, positive rate of VAT, combined with an extensive zero-rating system.

The court's decision had nothing to do with the Commission's proposals for the harmonisation of VAT, which could not become law without the unanimous agreement of all EC governments.

The Commission nonetheless is keen to scrap the whole system of zero rating as part of its drive to create a free single market by 1992. It has launched a series of legal challenges against VAT rules in Germany, the Netherlands, Italy and France.

The European Court of Justice in addition to ruling against some British zero rated goods ruled that a similar package of Irish products and services should also cease to be zero rated. This excludes non residential construction which is already charged VAT in Ireland.

The decision to soften the impact of the new VAT charges will be welcomed by the construction and property companies and investors which had been pressing the Government to allow them the option to pass on VAT charges which most tenants and purchasers would be able to recover in the course of their business.

Mr Lilley also pledged that VAT charged on public sector construction contracts would be compensated by adjustments to the relevant central government expenditure provisions. Local authorities and health authorities would be able to get a full refund of VAT paid.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday June 22 1988

Tomkins beats Electrolux in battle for Murray Ohio

BY DAVID WALLER IN LONDON

TOMKINS, the UK industrial holdings company, yesterday emerged as a white knight in the battle for control of Murray Ohio Manufacturing, the Tennessee-based maker of lawnmowers and bicycles which has fought a protracted battle to stay free of Electrolux of Sweden, the world's leading white goods manufacturer.

Tomkins has launched an agreed tender offer for Murray valuing it at $224m, or $56 a share. Yesterday, the Swedish group abandoned its improved bid, which valued Murray at $200m. It had already increased its offer from $48 to $52 a share and saw no reason to pay more.

Murray, which employs 2,800 and is based at Brentwood, Tennessee, commands about a fifth of the US market for walk-behind and ride-on mowers. It makes about a third of the bicycles manufactured in the US, and as a group expects pre-tax profits of between $22.5m and $32m in the current year.

Last year, it posted pre-tax profits of $16.7m on turnover of $438m. Its profit record has been erratic because of losses on the bicycle making side, which accounts for a quarter of group turnover and made a pre-tax loss of $7.58m last year.

Tomkins, a Midlands-based manufacturer of buckles and bolts at the beginning of the decade, has been built into a classic "mini-conglomerate", with interests ranging from hand-gun manufacturing to lawnmowers. Yesterday, it forecast pre-tax profits of no less than £46m ($82m) for the year to May, up 52 per cent on the previous figures.

Mr Gregory Hutchings, Tomkins chief executive, a former acquisitions executive for Hanson Trust, said the acquisition of Murray was "typical Tomkins".

The acquisition follows Tomkins's purchase of Smith & Wesson, the US hand-gun maker, for $112m last June. Tomkins was advised by County NatWest in the UK and Shearson Lehman Hutton in the US. Its shares closed down 2p to 234p, capitalising the company at £360m.

Lex, Page 22

Pillsbury forecasts record year

BY JAMES BUCHAN IN NEW YORK

PILLSBURY, the Minneapolis food group which is in management turmoil, has put the worst behind it and is on target for a record year to May 1989, its temporary chairman said yesterday.

"The bad news is behind us," said Mr William Spoor, a former chairman who was brought out of retirement in February to avert the threat of takeover at the troubled packaged food and restaurant group.

"We are moving forward with confidence, focus, direction and discipline," he told securities analysts yesterday.

This optimistic presentation comes just a day after the $6.1bn-sales Pillsbury lost another senior executive with the announcement that Mr Jeffrey Campbell, the powerful and free-wheeling head of the restaurant business in Miami, had quit.

Mr Campbell's departure follows a succession of marketing problems at the various restaurant chains, above all the 5,500-unit Burger King which continues to lose share to McDonald's, the market leader. The restaurants could earn only $8m after special restructuring charges in the first nine months of Pillsbury's year, which ended in May.

Various restaurant executives, including Mr Charles Olcott, president of Burger King, were given additional responsibilities on Monday and they will report directly to Mr Spoor.

Mr Spoor, who ran Pillsbury with an iron hand from 1973 to 1985, told the analysts that the company would report earnings from operations of $2.40 to $2.50 a share in the year to last May, as against $2.10 a share or $181.9m in 1987.

Restructuring charges would reduce 1988 net income to between 80 and 85 cents a share

G-P pays $665m for Brunswick venture

BY OUR FINANCIAL STAFF

GEORGIA-PACIFIC, the US forest products company, has tentatively agreed to buy Brunswick Pulp & Paper, a joint venture of the two US paper companies Mead and Scott Paper, for $665m.

The purchase will include one of the world's largest bleached pulp and paperboard mills, three sawmills and about 535,000 acres of timberland in Georgia, South Carolina and Florida.

Georgia-Pacific said the acquisition of the Brunswick, Georgia, mill would add 525,000 tons to its current annual market pulp capacity of 700,000 tons. It also doubles G-P's bleached board capacity, adding 175,000 tons to existing capacity of 171,000 tons at Crossett, Arkansas.

McKesson buys drug wholesaler for $500m

By Our Financial Staff

McKESSON, the big California-based consumer products distributor, has agreed to buy Alco Health Services, one of the top four US wholesale drug distributors, for $30 in cash a share, or a total of about $500m.

McKesson, which had revenues of $7.3bn in the year ended March, already is a leading distributor of drugs, as well as beverages, beauty aids, and general merchandise. Mr Thomas W. Field, president and chief executive of McKesson, said: "With the Alco acquisition, drug and health-care will represent about 85 per cent of our revenue."

As a first step in the transaction, a tender offer will begin for all Alco Health Services stock no later than June 27. After completion of the tender offer, any remaining outstanding shares will be converted in a merger into cash at the same price paid in the tender offer.

McKesson said it also entered into a stock purchase agreement with Alco Standard, the diversified US distribution and manufacturing group, and Alco Venture Capital, its subsidiary, to buy 6.2m shares of Alco Health stock owned by Alco Venture, for the same price as the tender offer.

Heinz rises in quarter

H.J. HEINZ, the US tinned foods group, boosted fourth-quarter net profits from a restated $94.1m or 69 cents a share to $101.7m or 77 cents, taking the total for the year to $386m or $2.91 a share from $338.5m or $2.47.

Mr Anthony O'Reilly, chairman, said: "We are encouraged by the continuing strength of our big brands and the potential for both product and geographic expansion."

Terry Dodsworth looks at the strategy behind the launch of a new computer series

IBM refocuses on its middle-range

ONE OF the biggest product introductions in the history of International Business Machines, the world's largest computer group, was launched yesterday in a carefully orchestrated worldwide programme aimed at reaching well over 200,000 users.

The six new machines, to be known as the AS/400 range, are the culmination of a series of steps taken by IBM over the last two years to refocus its product line and shore up its sagging profitability.

They will give the company a broader, up-to-date product portfolio in the market for mid-range machines, where it faces aggressive competitors, led by Digital Equipment, the world's fastest-growing computer company in recent years.

In the UK, where the mid-range market - as with the rest of Europe - is particularly important, the AS/400 line will be priced at between £13,843 and £470,170 ($24,900 and $846,300), serving between eight and 200 screens depending on the model. The new line is expected eventually to replace the System 36 and System 38 mid-range prodncts, introduced about 10 years ago.

Mr Jack Kuehlar, vice-chairman and a member of IBM's top-level executive committee, said the market for small and mid-range machines represented the most rapidly growing segment of the worldwide industry.

The introduction of the AS/400, he added, put in place the final element in a strategy worked out in early 1986 to give IBM customers a coherent range of easily interconnectible products. These now cover the market from large mainframe machines to medium-sized departmental products and personal computers.

He gave no indication of the scale of investment in the range but said 2,500 development workers had been involved in the project at the group's Minnesota research centre since early 1986.

Innovative techniques have been involved in the launch, largely reflecting the urgency with which IBM has been forced to tackle the twin problems of its weakness in the mid-range computer area, and the lack of connectibility between its machines.

The measures include:

- cutting conventional development time for new computers in half to about 26 months;
- bringing customers into the development process at an early stage;
- emphasising partnership relationships with dealers, agents and software houses;
- a rapid build-up in manufacturing to ensure the new products will be quickly available;
- new educational and service back-up arrangements that will enable customers to tackle operational problems more swiftly;
- a new operating system for the machines which allows easy communirations between different IBM product lines and the use of common applications software;

IBM aims to give additional momentum to the the AS/400 launch through the staff redeployment it has carried out over the past 18 months to move more employees into sales. Many on this strengthened marketing team will be concentrating on the AS/400.

Hand extended to software makers

IBM yesterday moved to persuede software companies which write programs to run on its machines that it is committed to collaboration rather than competition, writes Alan Cane in Paris.

Mr C. Michael Armstrong, president of IBM Europe, told delegates to the sixth World Computing Services Congress in Paris that meetings where it worked out marketing strategies to suit its major customers would be opened to independent software developers.

The idea is that IBM and a particular software developer could work together to solve their joint customer's problem more effectively. This "shared strategic sessions" approach was already being used in a number large IBM accounts.

The plan is a further development in IBM's attempts to seek a closer relationship with the software and services industry. Earlier this year it announced an application software acceleration programme (Asap) aimed at making it easier for software developers to create programs through the loan of computers and other help.

However, Software developers - mostly smell entrepreneurial companies - have been suspicious of IBM's motives. They are aware that IBM has to increase its revennes from software in the wake of declining hadware prices.

AMI rises 6.5% to $33m

BY OUR NEW YORK STAFF

AMERICAN MEDICAL International (AMI), the Beverly Hills-based hospital management company, yesterday reported its best quarterly earnings for three years, a result attributed by the company to measures to cut costs in the face of intense competition in providing health care.

AMI, which last month announced it was selling off nearly half its US hospitals to their employees for $910m, said net income in the third quarter ended May rose 6.5 per cent to $33.7m or 41 cents a share.

Revenues for the three months rose 10.3 per cent to $760.6m.

Mr Walter Weisman, chairman, said: "During the third quarter, AMI showed progress in our continuing drive to control costs while snstaining revenue growth."

He said that operational improvements would be helped by the sale of 35 smaller and less profitable hospitals, which is due to be completed by the end of the fiscal year to August.

The $450m cash raised by the sale will be used to repay debt and buy in stock to appease a group of powerful stockholders.

Nine-month earnings were $97m or $1.17 a share against $88.2m or $1.01 in the first nine months of 1987. The latest results included a special gain of $50.7m for accounting changes, partly offset by a $33.9m loss on buying in debt.

Optima card for Britain

BY ANDREW BAXTER IN LONDON

AMERICAN EXPRESS, the US financial and travel-related services group, plans to introduce its new Optima credit card in the UK soon, said Mr Howard Clark, chief financial officer, in London yesterday.

The card, introduced in the US last year and more recently in Canada, is Amexco's first revolving credit product allowing deferred payment - its flagship American Express Card is a charge card on which the holder pays the bill monthly.

The Optima card has a 13½ per cent interest rate in the US, compared with 17 to 20 per cent for other major credit cards, said Mr Clark.

Consumers were using it for expensive items, and using their present American Express cards for expenses such as entertaining, he said.

Mr Clark said it was too early to gauge Optima's profitability, but added that the company was able to charge a lower interest rate because only existing cardholders of more than a year's standing and with a good payment record were being offered Optima, thus reducing advertising costs and credit losses.

Amexco's card business generally is currently one of the company's best performers, with world card charge volume up 20 per cent in the first quarter of 1988 to $20.1bn, helped by an early Easter.

INTL. COMPANIES AND FINANCE

Pao to buy Aer Lingus US hotels

BY KEVIN HAMLIN IN HONG KONG AND KIERAN COOKE IN DUBLIN

COMPANIES CONTROLLED by Sir Yue-Kong Pao, the Hoog Kong shipping and property magnate, are acquiring the Omni Hotels chain in the US from Aer Lingus, Ireland's national airline, for US$135m.

Omni is the 14th biggest hotel group in the US in terms of revenue, which is estimated to reach $436m this year. It comprises 14,000 rooms in 39 managed and franchised hotels, in six of which it holds equity. Eight are still in various stages of being built.

Sir Y.K.'s World International and Wharf Holdings will each own half of Omni. His group is involved in hotels in Asia through its Marco Polo International Hotels subsidiary. Marco Polo owns and manages three hotels in Hong Kong and the Marco Polo Hotel in Singapore.

Mr Peter Woo, chairman of World International, Sir Y.K.'s ultimate holding company, said: "We are enthusiastic about this opportunity to complement our hotel operations in the Far East by establishing a significant presence in the US." He added, however, that Omni and Marco Polo would retain separate identities.

Aer Lingus has succesfully diversified into hotels and aircraft associated ancillary services to recent years. Its hotel interests are expected to contribute a third of overall profits this year projected at I£28m ($42.8m).

The Irish carrier has interests in hotels in Ireland, Britain, France, Belgium, Zambia and Gambia, as well as to the US. It wants to concentrate its hotel operations more in Europe than in the US, where it feels there has been an over-expansion of the hotel sector.

Omni, which has embraced all Aer Lingus's hotel activities in the US, was acquired in the mid-1970s.

World and Wharf will finance the purchase through internal resources and bank loans. Sir Y.K.'s group is estimated to hold surplus cash of some HK$3bn (US$384.6m).

Mr Woo said the purchase price is fully backed by Omni's fixed assets, worth US$70m to $75m, and its hotel management and franchise contracts. He said Omni is expected to report a profit of $9.5m this year and $11.5m to $12m in 1989.

Omni plans to expand to 60 hotels within two years, Mr Woo said, adding that the financial strength of World and Wharf would underpin this plan. Omni's hotels are currently concentrated on the US East Coast, and further expansion will centre on the West Coast, Mr Woo said.

Wharf, a property company, is tovolved in the Omni acquisition because it could provide capital for possible future hotel acquisitions in the US, Mr Woo said.

Under the terms of the sale, however, Aer Lingus will increase its equity interest in the 450-room Berkshire Place Hotel in New York from 40 per cent to 90 per cent. The Berkshire Place, in midtown Manhattan, is considered the flagship of the Omni chain.

● *Shui On, one of Hong Kong's* biggest construction companies, has made its first overseas investment with the acquisition of two Toronto hotels for HK$536m.

The hotels, bought from Canada's Hospitality Equity Corporation, are the 388-room Wharton Renaissance and the 300-room Ramada Airport. Shui On said it would fund 35 per cent of the acquisition from internal resources and the remainder from bank borrowings.

Herscu abandons Hooker plan

MR GEORGE HERSCU, chairman of Hooker Corporation, an Australian property and retail group, has abandoned an attempt to take the company private after receiving low acceptances for his cash offer, Reuter reports from Sydney.

GSH, his bidding vehicle, would not extend its takeover offer past the closing date of June 29, he said. The A$2.30 per share bid values Hooker at some A$440m (US$361.3m).

Mr Herscu added that GSH would exercise its entitlement under Australia's takeover code to lift its stake by three percentage points every six months. GSH held 51.5 per cent of Hooker when it launched the bid in March and now has 52.4 per cent. Hooker shares have consistently traded above the offer price and closed yesterday at A$2.56.

Mr Herscu's announcement followed a statement by Barlile Corporation on Monday that it had obtained a 7.14 per cent stake in Hooker jointly with the Gertner family of Venezuela plus options to achieve a blocking stake of at least 10 per cent.

Barlile is controlled by Mr Barry Glover, a former managing director of Hooker, who has said the company is worth at least A$2.75 a share. But Mr Herscu said his price was fair and reasonable and that his controlling stake was not for sale.

● Amatil, the Sydney tobacco and beverage producer, has agreed to acquire the Planters Nuts business in Australia from RJR Nabisco of the US.

The acquisition is subject to approval by the Foreign Investment Review Board. Its approval is needed because Amatil is 41 per cent owned by the UK-based BAT Industries.

An Amatil official declined to disclose the price but noted that Nabisco is withdrawing from Australia through the sale.

Sri Lanka acts against ailing deposit takers

By Mervyn de Silva in Colombo

THE SRI LANKA central bank has used emergency regulations in intervening to protect depositors' interests from ailing finance companies accused of abuses and bad management.

It has taken charge of United Trust and Investment (UTI), the country's fourth largest finance company. Sri Lanka has 72 finance companies holding deposits of over SRs6bn ($195.6m), of which UTI held SRs500m from more than 20,000 depositors.

Following this proclamation, an amendment to the Finance Company Act has been tabled in parliament and will be given priority. "Finance company business has mushroomed and the need for such tighter control became imperative," said Mr A.S. Jayawardena, the central bank deputy governor. "We will act only when it is necessary to salvage ailing companies or stop unscrupulous firms using deposits arbitrarily."

The central bank has also raised the ceiling on interest rates paid to depositors in response to representations by smaller companies. In December it placed a maximum of 17 per cent on deposits maturing within one year, and 18 per cent on longer periods. Smaller concerns complained that they could not compete with the state-owned National Savings Bank.

The new interest rate is 20 per cent regardless of maturity.

Swedish group in Dutch property talks

By Our Financial Staff

FASTIGHETS AB Coronado, a Swedish property investment group, plans to bid for Pronam, a Dutch property fund company.

Mr Lars Magnusson, who is a 30 per cent shareholder in Pronam, said Fastighets was expected to offer up to Fl 200 a share. The offer values Pronam at Fl 220m ($111.3m).

Pronam shares closed at Fl 162 guilders on the Amsterdam bourse on Monday. Trading was suspended yesterday.

Pronam has a Dutch property portfolio valued at FL 600m and says Fastighets has property valued at some Fl 1.5bn.

Hong Kong rejects plea on TV licensing rules

THE HONG KONG Government yesterday rejected an appeal from HK-TVB, one of the territory's two private sector television channels, to reconsider changes in broadcast licensing rules which may require the company to restructure.

This came as Mr Deacon Chiu, chairman of ATV Holdings, which has run the other private station, said its shares would remain suspended until problems over ATV's broadcast licence have been resolved.

ATV Holdings said on Sunday it sold the television station to Thomond Investment, a local consortium comprising Mr Chiu's family as well as New World Development, a property company, and the family who own Lai Sun Garment, a jeans maker.

The Government said on Monday it was examining whether the HK$613m (US$78.6m) deal complied with new rules against granting licences to stations owned by holding companies.

The rules require a station's owners to have no interests outside broadcasting. Foreign investors are also restricted to stakes of less than 10 per cent.

HK-TVB controls a number of subsidiaries outside broadcasting. In addition, the company is 30 per cent owned by an offshoot of Bond Corporation Holdings,

Another Islamic fund warns of liquidation

BY TONY WALKER IN CAIRO

AL HODA MISR, one of Egypt's Big Four Islamic funds, has indicated that a new investment company law enacted earlier this month is likely to force it into liquidation unless the regulations were modified.

It warned in a newspaper advertisement that the law was much too restrictive and would cause the "total loss" of depositors' funds. The company said it could not continue operating under the law.

Al Hoda Misr is the second of the large Islamic funds to have indicated that it could not accept the terms of the regulations which seek to bring under control the large and unruly Islamic investment sector.

Al Rayan, the biggest of the Islamic institutions, has already said that the restrictions would make it impossible for it to continue in business. Among the key elements of the new law is that the funds should be required to issue share certificates in exchange for deposits.

Bankers are predicting a big shake-out among Islamic investment companies in the next several months. Many of these have stopped paying dividends on deposits. The new law prevents the companies taking new deposits pending compliance.

An Egyptian banker said it was suspicious that the investment funds should stop paying dividends of some 20 per cent after their supply of new funds was cut off.

The Islamic funds are frequently accused of operating pyramid schemes whereby they pay dividends from the funds of new depositors. Heads of these institutions, however, vigorously deny the accusation.

Main features of the new legislation include a requirement that the companies, which have deposits totalling an estimated E£8bn ($3.48bn), stop taking new deposits for three months while they decide whether to comply with the law.

Companies that decide to go into liquidation are given two years in which to repay depositors. Other elements of the law include the requirement that funds deposited with companies reconstituted under the new law must be lodged with an Egyptian bank within one week of receipt.

Transfer of funds abroad requires the approval of Egypt's Capital Market Authority. Foreign currency assets outside Egypt must be repatriated within three months of parliamentary approval of the legislation; that is, by early September.

Penalties for breaches of the law include jail sentences of up to 15 years.

Sabena widens joint venture talks

BY DAVID BUCHAN IN BRUSSELS

SABENA, the Belgian airline group, said yesterday it was talking to five different European airlines about the possibility of pooling its air transport activities into a joint venture.

At the same time, Mr Carlos van Rafelghem, Sabena's chairman, said he had placed an order for 16 Boeing 737 airliners, which would bring the airline's medium-haul fleet to 23 Boeing 737s by 1991-92.

Mr Rafelghem said Sabena was talking to KLM, Swissair, Air France, Luxair and SAS about possible co-operation in a joint venture. Two weeks ago, SAS had approached Sabena for a resumption of the talks that broke down last summer.

He would not indicate which partner or partners Sabena preferred among the five. But he wanted to begin serious negotiations soon so Sabena could become part of "a multi-hub system" which would capitalise on Brussels' key position in Europe, preserve the Belgian airline's identity but protect its profitability in a more competitive, deregulated European air transport industry.

Mr Rafelghem noted before the annual meeting that net profit last year fell by half to BFr70m ($1.06m) as the volume of freight business fell by 5.4 per cent, offset somewhat by a 7.4 per cent increase in passenger business.

Last year, the Sabena parent company created several new subsidiaries – Sabena Building, Sabena Skyshops, Sabena Technics and Sabena Leasing. As part of this decentralisation, and to facilitate a possible air transport joint venture with a foreign airline, Mr Rafelghem announced plans to create Sabena World Airlines.

Sabena is majority government-owned and such a move would require government approval.

Pininfarina cuts back on Cadillac production

By Alan Friedman in Milan

THE PRODUCTION of Cadillac car bodies by Pininfarina, Italy's top car designer, has fallen short of expectations.

The Turin-based company, which was to have shipped 8,000 car bodies a year for the $56,000 Allante' two-seater model, said yesterday it has cut back production by two-thirds because of a lack of interest on the part of American consumers.

The sharply reduced output – Pininfarina is making 12 bodies a day rather than the 36 originally planned – is affecting the designer's annual revenues, which last year fell L40bn short of a predicted L400bn ($307.6m).

The five-year contract with General Motors' Cadillac division is also expected to be far less than the $600m that was announced with great fanfare in December 1985.

Last year, Pininfarina made a L7.5bn net profit on L360bn of turnover.

The company said it hoped to reach sales of L300bn this year, some 17 per cent below the 1987 level.

Pininfarina said yesterday that it derived 48 per cent of its annual turnover from the Fiat group, 41 per cent from General Motors and 9 per cent from Peugeot.

The Allante' model, which is flown by special jumbo cargo jet from Turin to Detroit, "has encountered difficulties in the American market," according to the company.

Mr Sergio Pininfarina, the company's chairman, is also the president of Confindustria, Italy's confederation of industrialists.

Pininfarina said it was hoped that modifications of the 1989 Allante' would make the car more attractive in the US, where it was supposed to compete with two-seater models produced by Mercedes and Porsche.

Ericsson buys phone parts maker

By Our Stockholm Staff

ERICSSON, the Swedish telecommunications group, has acquired majority control of Radiosystem Sweden, a maker of mobile telephone components, in a deal worth SKr450m ($75m).

Ericsson, through its Radio Systems subsidiary, is a leading manufacturer of cellular telephone systems, claiming a 40 per cent share of the world market.

Ericsson said the acquisition of Radiosystem would give it a 40 per cent share in the supply of radio base stations for the Nordic Mobile Telephone system, which is in use in the Nordic region and 12 other countries. Radio base stations broadcast signals to mobile telephones.

Radiosystem will be merged with Magnetic, an Ericsson subsidiary, which produces approximately as many stations of this type as Radiosystem.

Radiosystem announced yesterday profits of SKr19.8m for the year ending April 1989, an increase of 27 per cent over the previous fiscal year. Revenues climbed by 59 per cent to SKr147m. Radiosystem is listed on the Stockholm OTC market.

Ericsson said completion of the deal would depend on it acquiring 90 per cent of the equity in Radiosystem. Ericsson has more than 90 per cent of the voting rights and 70 to 75 per cent of equity, but it foresees no difficulty in buying outstanding shares.

Profits at Co op rise by 21%

BY HAIG SIMONIAN IN FRANKFURT

PRE-TAX profits at Co op, one of West Germany's biggest retailing groups which substantially broadened its shareholders' base last year, rose by almost 21 per to DM204m ($120m) last year before extraordinary items. However, after-tax earnings fell to DM65.2m against DM104m in 1986, when earnings were boosted by extraordinary items.

The group, which since 1987 has taken the form of an ultimate holding company, Co op AG, and three main operating subsidiaries, is raising its dividend by DM0.50 to DM4.50 a share.

Sales rose by 2.7 per cent to DM10.4bn last year, excluding value added tax. A further increase to well over DM12bn is being forecast for this year, according to Mr Bernd Otto, Co op's chief executive. The company hoped for a "not inconsiderable" increase in profits this year, he said.

Co op's sales in 1987 were boosted by its three big retailing acquisitions of Bolle in Berlin and Hamburg, Schaetzlein in Mülheim and Schade in Frankfurt last year. Together, the 326 outlets bought should add about DM3bn to turnover on an annual basis, according to the company.

However, sales have been partly depressed by the group's continuing rationalisation of its smaller outlets in favour of bigger and more modern stores. As a result, the average size of Co op stores again increased while large stores continued to take a growing share of sales.

Co op, which has a market capitalisation of around DM2.9bn, invested some DM309m last year, excluding acquisitions, representing 2.9 per cent of turnover, well above the sector's average of 2.3 per cent.

The group plans to spend about the same amount this year, with some two-thirds going into Co op Handels, the main retailing operation.

The group plans to set up a small bank, based in Frankfurt, which it said will offer a full range of services, but specialise in areas of established expertise such as investment policy.

Flotation for KIO Madrid property unit

BY TOM BURNS IN MADRID

PRIMA IMOBILIARIA, the fast-growing Spanish property company controlled by the Kuwait Investment Office, is to float about one-third of its equity on the Madrid stock market in July.

Details of the share offering have still be to be finalised but Madrid brokers handling the deal expect to place a third of the stock with investors outside Spain, principally in the UK, France, Switzerland and West Germany.

KIO took a majority interest in Prima Imobiliaria last year and the company has since been a pacemaker in Spain's big city property boom. It has acquired in recent months prime sites on Barcelona's prestige Paseo de Gracia boulevard as well as a major building on Madrid's central Alcala Street.

The company also owns 95 per cent of a second property concern called Urbanor, which is to build two large office blocks in north Madrid, the capital's main business area, on a site that is estimated to be worth $200m.

Urbanor was acquired by KIO from the Madrid construction entrepreneurs Mr Alberto Alcocer and Mr Alberto Cortina, owners of Construciones y Contratas (Conycon), in a keynote agreement that enabled the creation of Cartera Central, a KIO-Conycon joint venture portfolio company that has been buying stock in Banco Central, Spain's largest bank.

Cartera owns 13 per cent of Central's shares and is at the centre of a legal wrangle over the bank's proposed merger with Banco Espanol de Credito (Banesto).

Madrid market watchers believe KIO is looking for outsider participation in order to improve its image and acceptability.

Court rules in favour of Midi

By George Graham in Paris

THE FRENCH law courts yesterday decided in favour of Compagnie du Midi, the diversified insurance group, and froze half of the Midi stake held by the leading Italian insurer, Assicurazioni Generali.

Generali had infringed a banking regulation by not asking for authorisation from the French committee of credit establishments when it exceeded a 10 per cent stake in Midi.

The Italian group will therefore only be able to vote with a 10 per cent stake at today's Midi shareholder meeting, plus a stake estimated at around 2 per cent held by its associate, the merchant bank Lazard Frères, and is therefore unlikely to be able to block the proposed merger of Midi's insurance operations with the Axa group.

Sika earnings ahead 31%

BY JOHN WICKS IN ZURICH

SIKA, the Swiss building chemicals group, booked a 31 per cent rise in net earnings last year to SFr23.8m ($15.8m) following a 7 per cent increase in turnover to SFr749.5m.

The company proposes to pay dividends of SFr500 per bearer share, SFr125 per registered share and SFr10 per participation certificate on increased capital.

For the first five months of the current year, group sales rose by a further 16 per cent, due almost entirely to internal growth.

For the year as a whole, turnover is expected to increase to around SFr830m with "above average" growth in cashflow and profits. Capital spending is expected to rise by SFr11m to some SFr80m, excluding acquisitions.

First-half rise for Landis & Gyr

BY OUR ZURICH CORRESPONDENT

LANDIS & GYR, the Swiss electrical engineering concern, reported a 21 per cent rise in turnover for the first half of 1987-88 to SFr903m ($645m). New orders increased by 24 per cent to SFr1.07bn.

These increases were due partly to the acquisition last autumn of the Powers, a US company which is a leading manufacturer of air conditioning, heating and ventilation equipment.

At the previous year's exchange rates and excluding the Powers operation, sales would still have been up by 7 per cent.

The board of the Zug-based company said it expected group results to be the same as the SFr64.2m shown in the previous year.

An excellent situation has just been created in London for Scandinavians.

Merrill Lynch are aiming to expand the services we provide to Private Clients and in particular to Scandinavian nationals.

We are looking for a highly motivated registered representative to work in one of our London offices.

Are you Scandinavian or a fluent speaker of either Swedish, Norwegian, Finnish or Danish? Do you have at least 2 years experience in banking, securities or insurance with good Scandinavian contacts, earnings of around £25,000 and the necessary work permit?

Are you organised, assertive, self-motivated, goal orientated and able to take direction?

Would you like to work for one of the largest and most creative global firms in the industry, which provides training and a wide range of relevant products and services with an involved, strong, non-competing and motivating management?

If so, contact Ramiro Penaherrera between 9am and 7pm on 01-493 7242.

Merrill Lynch

BENCHMARK BANK PLC

LENDING EXECUTIVE

The bank's property Lending Department is seeking to recruit a qualified lender to join a highly motivated team of young professionals. Candidates, male or female, should be aged 27 to 35 with proven ability in a secured lending environment, have a banking or surveying background and a fleir for new business development.

Excellent career prospects and an attractive remuneration package are offered.

Please reply with a detailed C.V. including a contact telephone number to
The Personnel Department, Benchmark Bank PLC, Henrietta House, 9 Henrietta Place, London W1M 9AG

UNIT TRUST PROMOTION

Birmingham

£19,500 - £23,000

West Midlands Enterprise Board, the development agency for the West Midlands, is seeking to make a new appointment to promote the West Midlands Regional Unit Trust (WMRUT), an exempt unit trust jointly managed by WMEB and Lazard Securities. WMEB (a member of IMRO) wishes to increase subscriptions from pension funds into this high performing Unit Trust which is currently valued in excess of £10 million. The post will also entail acting as company secretary of WMRUT and marketing the other financial services of the WMEB.

For further details contact Roger Dicker, Assistant Chief Executive, WMEB, 31-34 Waterloo Street, Birmingham B2 5TJ. Telephone: 021 236 8855 ext 224. Application forms must be returned by 18th July 1988.

WMEB is an equal opportunities employer

U.K. EQUITY SALES

To £100,000 + Benefits

We are experiencing significant demand for generalist UK equity salespeople. Our clients, including major UK and US stockbrokers, are particularly keen to meet executives, aged 30-40, with a minimum of 5 years sales experience, a strong UK institutional client base, and an impressive track record gained with a recognised house.

U.S. TREASURY SALES

£20-£25,000 + Benefits

Our client, the merchant banking subsidiary of a major US commercial bank, is seeking a young individual with 1-2 years experience in sales or sales support on the US treasuries desk. Interested applicants will be ambitious and have the flexibility to handle retail accounts and to trade when required.

These positions represent excellent opportunities for career progression. To discuss them further, in strictest confidence, please contact Christopher Lawless, Stuart Clifford or Julian Fox on (01) 583 0073 (day) or (01) 874 9417 (outside office hours).

16-18 NEW BRIDGE STREET, LONDON EC4V 6AU.

BADENOCH & CLARK
RECRUITMENT SPECIALISTS

UNIVERSITY OF DUNDEE
DEPARTMENT OF ECONOMICS
BONAR CHAIR OF APPLIED ECONOMICS

Applications are invited for the Bonar Chair of Applied Economics, which is to fall vacant upon the retiral of Professor C. Blake. The University is seeking applications from candidates with an interest in any area of applied economics but will be particularly pleased to receive applications from those with an interest in finance or industry.

The University wishes to make an appointment from the 1st October 1988 or as soon as possible thereafter. Salary will be within the normal Professorial range. Potential candidates wishing to make informal contact with the Department are invited to contact Mr C. D. Rogers, Head of Department, or Professor M. P. Taylor.

Further Particulars from, and applications, with C.V. (6 copies or if posted overseas, one copy in a format suitable for photocopying) and the names and addresses of three referees to, the Personnel Office, The University, Dundee, DD1 4HN by 12 July, 1988. Please quote reference EST/20/88/FT.

METALS & MINERALS RESEARCH SERVICES

International Metal Market & Business Analysis

● Senior Consultant ● Mining Analyst

our clients include international mining companies, financial institutions and government agencies. We are currently seeking consultants who can make a contribution to our work on in-depth commodity market and business analysis.

Applications will be considered from individuals with a number of years experience in mining, metallurgy and/or metals research, as well as more recent graduates.

If you think you have the ability to match our high standards and you are an effective communicator, please write enclosing full C.V. to:

Huw Roberts
Metals & Minerals Research Services
222/225 Strand, London, WC2R 1BA

SENIOR MARKETING OFFICER **£35,000-£40,000**
Major Merchant Banking Group currently seeks a Senior Marketing Officer to provide a marketing role for securitised debt, exposure management and investment instructions to financial institutions. Educated to a high standard with a thorough knowledge of corporate finance you will have a minimum of five years' experience in a financial environment coupled with well developed inter-personal skills normally associated with such a position.

FINANCIAL CONTROLLER **£35,000**
Our client, a leading European Bank, seek to recruit a Financial Controller. Reporting directly to the General Manager, responsibilities will include company strategies, management information systems, manpower utilisation and accounting controls. It is essential that you are a qualified Accountant from a banking institution and keen to move into a more creative and challenging environment.

MARKETING OFFICER **£30,000-£35,000**
A wide product knowledge together with solid marketing experience is sought by expanding Marketing Department. Establishing new and maintaining existing relationships with medium to major UK Corporates, you will ideally have experience in this client market.

JUNIOR MARKETING OFFICER **TO £20,000**
Major European Bank offers the opportunity to a young Credit Analyst to move to a full marketing role. In-depth training and support will be given. However they expect the successful candidate to be 'up and running' in the near future. Previous International Marketing banking experience together with a degree are essential requirements.

JOSLIN ROWE
RECRUITMENT CONSULTANTS
Bell Court House, 11 Blomfield St., London EC2. Tel: [illegible]

Italiani!

A highly exceptional level of remuneration, almost complete independence and a close involvement in the world's financial markets will all be rapidly available to the successful applicant to become a trainee U.S. institutional equity broker with us.

We need an Italian mother-tongue, confident, extremely articulate individual between 22 and 30 with at least a year's commercial or sales experience. He or she must be willing to bring a dedication commensurate with the job's rewards.

Please send your curriculum vitae together with a covering letter in English to: Box No: A0923, The Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

FINANCIAL OPPORTUNITIES

CONVERTIBLE BOND HEDGE ARBITRATOR

This major International House is currently considering applications from candidates with experience in this area. They are offering a top package for the right person. For further details, in the strictest confidence, call Richard Ward now.

SENIOR PORTFOLIO MANAGER

This opening at Director/Partner level would ideally suit a successful person with their own substantial client base. Our client, a major UK House is offering excellent prospects. A partnership will be available to the right person. Call Richard Ward for further details.

TRADERS

Experienced traders with a successful track record in Euro's and US Treasury are sought by this major City company. You must have at least 2-4 years involvement in the field and language would be an advantage. Call Richard Ward now for more information.

SALES

A number of our clients are urgently looking for candidates with experience in the following:- Fixed Income (Scandinavian, UK and European, Middle East & Japanese); Yen Bond sales (min 5 years exp); Senior Bond Sales; Manager - UK Equity Sales (Europe); US/Canadian Equity sales; Manager - Japanese Equity sales. Call Sue Kaczmarczyk for further details.

01 377 5455
Cambridge Appointments
232 Shoreditch High Street

Non Executive Chairman/Director

City man 35 years experience. For 10 years a Director of major P.L.C. and Chairman of a number of companies, seeks appointment as Non Executive Chairman or Director of a medium sized company with *profits in excess of £1 million.* Ideally would like to be associated with a young executive team who have recently bought out or formed their own business where his good reputation and experience of development, mergers, take-overs and other corporate activity would be of value. *The applicant is energetic, enthusiastic and believes that a sense of humour is an essential ingredient of corporate life.*

Box Number A0916, Financial Times, 10 Cannon Street, London EC4P 4BY

METROPOLITAN BOROUGH OF WOLVERHAMPTON

Finance Department

West Midlands Metropolitan Authorities Superannuation Fund

SENIOR INVESTMENT MANAGER

This vacancy has arisen in the Investment Division of the Finance Department which manages the Superannuation Fund. The Fund, which is managed predominantly in-house, is valued at approximately £1.4 million and is expected to continue to expand significantly in the future.

The post of Senior Investment Manager ranks second in the division and the person appointed will need to have extensive relevant investment management experience. The postholder will undertake some direct portfolio management responsibilities, as appropriate, together with a range of non-portfolio duties including deputising for the Investment Manager.

Salary is payable in accordance with a scale with a maximum of approximately £25,000.

For further information please write (quoting code number 94/34) to the Director of Finance, Civic Centre, Wolverhampton WV1 1RL or telephone (0902) 312081 Closing date 8th July 1988.

Wolverhampton Metropolitan Borough Council is an equal opportunity employer and positively welcomes applications from all sections of the community irrespective of an individual's sex, ethnic or national origin, colour, age (up to 65 years) disability, sexual orientation or responsibility for dependants.

WOLVERHAMPTON *the pace setter*

At a career crossroads

We are looking for mature people aged 22-55 with an industrial or professional background to be trained to offer a wide range of financial services to businesses, professional intermediaries and individuals (income is limited only by your own ability and determination, we offer an attractive package as well as commission).

Telephone Ray Swayer on 01 895 0156

International Appointments

Swiss bank is expanding its Professional Money Management Group for large international accounts. There are opportunities in:

ASSET ALLOCATION
EQUITY MANAGEMENT
FIXED INCOME MANAGEMENT

We are seeking professionals with some years experience in the investment management community. They will possess a sound financial or economic background, combined with strong analytical skills. They will be familiar with modern portfolio management practice and feel challenged by participating in a team effort to go beyond the current state of the art. German language skills would be an asset. Compensation and benefits are competitive and attractive.

We are looking forward to receiving your application under Box 44-91790, Publicitas AG, Neumühlequai 8, CH-8021 Zurich.

PORTFOLIO MANAGEMENT ZURICH

Bordier & Cie

Banquiers Privés a Geneve

désirent engager un

GERANT de FORTUNE

Formation universitaire
30-35 ans
5 années au moins d'expérience de l'analyse financière ou de la gestion de fortune.
Suisse ou permis d'établissement.

Les qualités déterminantes seront :

Professionalisme
Dynamisme
Initiative
Flexibilité
Sens des responsabilités.

Entrée immédiate ou à convenir.

Les personnes intéressées sont priées d'adresser leurs offres manuscrites, avec curriculum-vitae, au chef du personnel de MM. BORDIER & CIE, 16, rue de Hollande, 1211 GENEVE 11

La discretion la plus stricte est assurée.

PENSION ADMIN. STOCK BROKERS £12K + SUB MORT

A major city Stock Brokers with a solid reputation *requires a person with* experience of administering large company pension schemes while assisting Fund Managers. Sal £12K + sub mort, BUPA, bonus, pension etc.

Tel: Angus Watson 01-929-1281
Monument Personnel Consultants, Peek House, 20 East Cheap, London EC3

FINANCIAL FUTURES TRADER

Due to the expansion of the London Branch's dealing room, a vacancy has arisen for a Financial Futures Trader to complement a dealing team of six staff. The ideal candidate will have approximately 2 years experience and be aged between 25-35 years.

He or she will have traded the short term markets in financial futures in both sterling and U.S. dollar contracts. A knowledge of U.S. treasury bond and gilt market futures contracts will be a distinct advantage, along with experience of technical and hedging strategies involving options on futures. A working knowledge of currency option trading is also desired.

The candidate will be expected to show dynamism and the ability to work unsupervised within broadly defined guidelines, and also provide support to the other members of the dealing room who all report directly to the Treasury Manager - Chief Dealer.

A full package of benefits will be provided.

Reply, enclosing C.V., to -
Treasury Manager - Adrian E. Smith, Banque Worms, 15 St. Swithins Lane, London EC4N 8AN, Telephone: 626 7245

FREELANCE FX DEALER

Experienced Spot Dealer seeks contract work, either short or long term, Banks, Corporates or private individuals considered.

Write Box A0924, Financial Times, 10 Cannon Street, London EC4P 4BY

JURISTE INTERNATIONAL

les mutuelles du mans

Avec 9000 personnes, un C.A. de 13 Milliards de Francs, nous sommes le sixième groupe d'assurance français. Notre implantation à l'étranger s'accélère : 18 pays. Nous recherchons, principalement pour notre département Réassurance, un juriste international.

Vous travaillez avec les U.S.A. L'audit de dossiers de litiges et contentieux, la rédaction de recommandations données à l'avocat américain que vous avez choisi, l'appréciation des sinistres et de leur règlement sont votre lot quotidien et bien sûr, c'est vous qui conduisez la transaction quand c'est nécessaire. Le reste de votre temps est consacré, dans le cadre de la Direction des Affaires Internationales, à approfondir notamment des dossiers de création, fusion, rachat de sociétés à l'étranger.

Agé d'une trentaine d'années, avec une solide formation universitaire en droit international (DEA..), la maîtrise parfaite de l'américain, vous avez, par exemple, une expérience de 5 ans au moins dans un cabinet d'avocats français ou américain, dans un service contentieux d'une compagnie d'assurances américaine ou européenne... Vous savez «vendre» vos conclusions : le sens de la négociation est un de vos points forts. Vous allez sur place, vous voyagez donc beaucoup. En fait, votre compétence est reconnue et notre Groupe vous permettra de la rendre encore plus performante.

Habiter Le MANS vous convient fort bien.

Envoyer lettre manuscrite, CV, photo et rémunération en précisant la réf. F 13C02FT à notre Conseil : RESOUDRE 50, rue Ste-Croix de la Bretonnerie 75004 PARIS.

MEMBRE DE LA CHAMBRE SYNDICALE DES CONSEILS EN RECRUTEMENT

RÉSOUDRE
LES PROFILS D'AVENIR

Appointments Wanted

British Sales/Marketing Executive

with 12 years worldwide petrochem related experience. Seeks challenging position in Europe/Asia. Presently located in USA-no ties. Can speak German and fully conversant in Swiss/German affairs.

For more information, please call (713) 996-9775 USA or 33 43 4823 (Switzerland)

CREDIT ANALYST

with knowledge of German is required by European bank. A minimum of 2 years' experience of credit analysis and the ability to work well in a small team. Salary £16-18,000 p.a. + excellent prospects.

Please tel. Shelagh Arnell 01-583-1661 or send CV to her at ASB International Recruitment, 50 Fleet Street, EC4Y 1BE

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Dollar issues rise above interest rate doldrums

BY STEPHEN FIDLER AND DOMINIQUE JACKSON

INTERNATIONAL BOND markets yesterday reacted to the gloom about rising global interest rates which have beset them since Thursday, and generally strengthened on the feeling that it might all have been somewhat overdone.

This was despite confirmation by the Bundesbank of an expected ¼ point rise in West German market interest rates.

The US dollar markets reacted positively to the smaller-than-expected rise in US consumer prices during May of 0.3 per cent, although worries about whether the Federal Reserve has actually tightened monetary conditions and about the US May durable goods figures due today, limited gains.

In the new issue sector of the Eurodollar bond market, Bankers Trust International brought a $150m five-year issue for Sumitomo Bank. It carried a 9⅛ per cent coupon and a 101⅛ issue price, which placed it, according to the lead manager, at about 62 basis points over the equivalent US Treasury bond, taking into account the long period before the first coupon payment.

Bankers Trust said the issue had been one-third placed in the Far East yesterday morning, although it insisted that not all the bonds were heading in that direction. The reaction of dealers outside the syndicate was that the issue was fairly priced, if not dramatically exciting.

Japanese buyers are reputed to be particularly interested in five-year paper these days, and said to be more interested in absolute yield than in yield premiums to US Treasuries. Hence, the rise in yields last week was not regarded as a negative for this issue, the lead manager said. The proceeds are being swapped into floating-rate dollars.

In West Germany, the Bundesbank's move to raise the rate on its latest round of repurchase agreements to 3.5 per cent from 3.25 per cent failed to move the

INTERNATIONAL BONDS

domestic markets significantly because it had been so widely expected. Prices of longer dated government bonds actually gained up to ½ point in a technical recovery from recent depressed levels and sentiment received a further boost from the improved tone of the US Treasuries market at the New York opening. Prices of Euromark bonds showed gains of around ¼ point in moderate turnover.

In Eurosterling, activity in shorter dated bonds was limited to interprofessional trading as the Bank of England failed to follow the Bundesbank with a ½ per cent rise in UK base lending rates, currently at 8½ per cent.

Some retail interest was detected in the longer end of the market however as longer-dated Eurosterling has remained fairly steady over the last week despite volatility in the prices of medium dated stock.

In equity linked issues, Nomura International brought Japanese bearing manufacturer NTN Toyo Bearing to the sector with a $200m five year deal on which the coupon is indicated at 4½ per cent and also led a $120m issue for Itoham Foods on which the terms are identical. The deals were quoted bid at discounts of 1 point and ½ point respectively to their issue price of par.

Nikko Securities led a repackaged floating rate note issue called CIVAS 7. The $100m five year issue at 100.10 pays 25 basis points (hundredths of a percentage point) over the six month London interbank offered rate.

Banca Commerciale Italiana, through the Law Debenture Trust, issued a Y10bn five year 7 per cent issue at 101⅞ which will be redeemed in US dollars. IBJ International and Sumitomo Trust International are joint book runners on the deal.

In France, Credit Commercial de France led a FFr1bn 10 year deal for the French government guaranteed Caisse Nationale des Telecommunications. The deal carries a 9 per cent coupon and is priced at 101⅞.

In Switzerland, prices finished the day marginally easier in moderate volume. Union Bank of Switzerland led a SFr150m issue for Austrian state road financing company Asfinag. The 15 year issue carries a 5 per cent coupon and is priced at 99⅞.

Amcor launches A$100m convertible

BY DOMINIQUE JACKSON AND MAGGIE URRY

AMCOR, THE Australian pulp and paper producer, launched yesterday a A$100m convertible Eurobond with no final maturity.

Morgan Stanley International was the lead manager on the issue, which carries a relatively low conversion premium of around 5 per cent over the price of the company's shares on the Sydney Stock Exchange. The coupon, which will be fixed within the next five business days, is indicated at 8 per cent annually.

The lack of a final maturity has certain tax advantages for the borrower. The bonds are convertible into Amcor shares over 10 years, during which period most investors are expected to exercise their conversion option, the lead manager said.

A strong level of demand was seen from investors all over the world, particularly in the Far East, Morgan Stanley said. The company concludes a series of investor presentations in Paris, Zurich, Geneva and Frankfurt later this week.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 21

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94½	95	+0⅛	-0⅛	9.23
All Nippon Air 9⅜ 97	100	†95⅛	96⅛	+0¼	+1⅛	10.06
American Brands 8⅝ 92	150	98⅛	98⅛	+0⅛	-0¼	9.32
A/S Eksportfinans 7⅛ 93	100	†93½	94	+0⅛	-2⅛	9.10
A/S Eksportfinans 7⅝ 92	150	94½	95	+0⅛	-0⅞	9.00
Barc. Bk. Fin. 10⅝ 89	200	†102⅛	102⅝	+0¼	-1⅛	8.31
Belgium 9⅛ 92	400	†100	100½	+0¼	-0⅛	9.03
British Telecom 7⅞ 96	250	89	89½	0	-0⅛	9.55
Cal. Natl. Telecom 8½ 93	160	†98¼	98¾	+0¼	-2⅛	8.88
Canada 9 96	1000	98¾	98¾	-0⅛	-1⅛	9.27
Canadian Pac 10⅛ 93	100	†103½	104⅛	-0½	-0½	9.70
C.C.C.E 7⅛ 91	113	†94⅞	95⅜	+0¼	-1	8.85
C.N.C.A 7⅛ 91	150	94⅛	95	-0¼	-0¼	9.04
Coca-Cola Ent. 8⅛ 90	100	†98¼	99⅛	0	-0¼	8.79
Credit Lyonnais 9 91	200	100½	101	+0¼	0	8.64
Credit National 8¼ 93	200	96⅜	96⅛	+0¼	-0¾	9.13
Credit National 7⅛ 92	100	94⅛	95⅛	+0⅛	-0¾	9.04
Credit National 7⅛ 91	150	94⅞	95⅜	+0⅛	-1	8.91
Denmark 7⅛ 92	500	93¾	94⅛	+0¼	-0¼	9.08
E.E.C 7 91	100	94⅛	95⅛	+0¼	-0½	8.76
E.E.C. 7⅛ 93	250	93¾	93⅛	0	-0⅝	8.95
E.E.C 8¼ 96	100	†92⅛	93⅛	0	-1⅛	9.56
E.I.B. 7⅛ 93	100	93½	94	0	-0¼	9.10
E.I.B. 9⅜ 97	150	98⅛	99⅛	0	-1⅛	9.58
Elec. De France 9 98	200	95⅛	96⅛	0	-1⅛	9.66
Finland 7⅞ 97	200	89½	90⅛	+0¼	-0¼	9.67
Finland 7½ 93	200	93⅝	94⅛	+0¼	-0¼	9.01
Finn. Exp. Cd. 8½ 92	200	98⅜	98⅛	+0⅛	-0¼	8.93
Ford Motor Credit 0 91	250	97⅛	98⅛	+0⅛	-0½	8.88
Gen Elec Credit 10⅛ 00	200	†101⅛	101⅛	+0⅛	0	10.02
G.M.A.C. 8 89	250	99⅞	99⅞	+0⅛	-0½	8.42
G.M.A.C. 8⅛ 89	200	99⅝	100⅛	+0½	0	8.36
Hoesch 8⅛ 97	100	†93¼	93¼	+0¼	-0⅛	9.36
Italy 9 90	1000	100⅛	101⅛	+0⅛	-0⅛	8.40
L.T.C.B of Japan 8 91	100	97⅜	98⅛	+0⅛	-0⅛	8.74
L.T.C.B. of Japan 0 97	200	88⅞	89⅜	+0⅞	-1	9.93
Merceds-Benz Cd. 8⅛ 95	100	95½	96	+0⅛	-1	9.37
Metropolis Tokyo 9½ 93	200	100⅛	101⅛	0	-1	9.16
Morgan Guaranty Tst. 7 90	150	97¼	97¼	+0⅛	-0⅝	8.58
Norway 0⅛ 93	500	98⅛	99⅛	+0¼	-0⅛	9.03
Pepsico Inc 7⅛ 93	200	†93⅜	93⅞	0	-1	9.04
Portugal 8⅛ 91	300	97¼	98⅛	+0⅛	0	9.08
Prudential Crp. 0⅛ 94	125	98⅛	99⅛	+0¼	-0⅛	8.96
Qantas Airways 10⅛ 95	140	103⅛	104	0	-1⅛	9.64
Saab Scania 9½ 91	125	†102	102½	+0¼	-2⅛	8.48
Saskatchewan 10⅛ 92	100	†104½	105	+0⅛	-0⅛	9.14
State Bk S Aust 9⅛ 93	100	99⅝	100⅛	+0⅛	-1⅛	9.26
Swedish Expt. Crd 7⅛ 91	100	†94⅛	95⅛	0	-0⅛	8.96
Swed Exp Cred 10 92	100	†102⅛	103⅛	+0¼	-1⅞	9.06
Sweden 7 91	250	95½	93⅝	+0¼	-0½	8.65
Sweden 7 92	250	†94½	95	+0¼	-0¼	8.72
Sweden 8⅛ 96	200	93¾	96⅛	+0¼	-0⅞	9.49
Sweden 8½ 92	200	†98⅝	99⅝	0	-0¼	8.82
Victorian Rep 11⅝ 92	150	107⅞	107⅞	+0⅛	-0⅞	9.21
World Bank 7 92	300	†94⅜	94⅛	-0¼	-0¼	8.78
World Bank 9 97	300	97	97½	+0⅛	-1⅛	9.45
Yasuda Trust Fin 8½ 93	100	96⅛	96⅛	+0⅛	-0⅛	9.37

Average price change... On day +0⅛ on week -0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	†101⅛	101⅝	-0⅛	-0⅞	5.73
Avis Fin. SVS 5⅞ 92	100	†101⅛	101⅛	-0⅛	-0⅛	5.41
Bank of Tokyo 5⅛ 93	100	†103⅛	104⅛	+1⅛	+0⅛	4.80
Central BK. Turkey 7 92	200	†105⅛	105⅛	+0⅛	0	5.54
Commerzbank o/s. 5⅛ 93	300	†99⅛	100⅛	+0⅛	-0⅞	5.40
Degussa Int. 6⅛ 97	200	†99	99⅛	+0¼	+0⅛	6.23
E.I.B 5½ 98	150	†96	96½	+0¼	-0⅛	6.01
E.I.B 6 97	300	†99⅛	99⅛	0	-1	6.07
E.I.B. 6⅛ 96	300	†100⅛	100⅛	+0⅛	-0⅛	6.04
E.I.B. 6⅛ 97	400	†100⅛	101⅛	0	+0⅛	5.99
E.I.O. 6⅞ 95	300	†104⅛	104⅞	-0⅛	-0⅛	6.07
Euro. Coal & Steel 5⅛ 97	175	†97⅝	98⅛	-1	-0⅞	6.19
Eurofima 6⅛ 96	100	†100⅞	101⅛	0	-0⅛	6.07
Elec De France 5⅛ 97	300	†96⅛	96⅛	0	0	6.27
Forsmark Krtg. 5⅛ 93	200	†100⅛	100⅛	+0⅛	+0⅛	5.00
I.A.O.B. 6 97	200	†98⅛	99	0	-0⅛	6.18
IBJ 5⅞ 92	100	†101⅛	101⅛	0	-0⅛	5.43
Japan Finance 5⅛ 97	100	†95½	96	-0⅛	-0⅝	6.40
Ireland 6½ 97	300	†100⅛	100⅛	-0⅛	+0⅛	6.44
Korea Dev BK 6⅛ 93	100	†102⅛	102⅛	-0½	-0⅛	5.99
Malaysia 6⅛ 94	150	—	—	—	—	—
Nat. West BK. PLC 6 98	300	†97	97⅛	-0½	-0⅝	6.40
Oesters. Kontbk. 5 93	300	†99⅛	100⅛	0	-0⅛	4.99
Portugal 5⅛ 92	150	†101⅛	101⅞	0	-0⅛	5.29
Portugal 6⅛ 95	150	†100⅛	100⅞	-1⅛	-1⅛	6.53
Privatbanken 5⅛ 93	150	†99	99⅛	-0⅛	-0⅛	5.46
Royal Insurance 5½ 92	300	†101⅛	102⅛	-0⅛	0	4.90
Statoil 6⅛ 97	200	†97⅛	98⅛	0	-0⅛	6.55
Soc Cent Nuclear 7⅛ 95	150	†104⅞	105⅜	+0⅛	+0⅛	6.32
Westlb. Finance 5 93	200	†98⅛	99⅛	0	-0⅛	5.18
World BK. 6⅛ 97	600	†100⅛	100⅛	+0⅛	-0⅞	6.15

Average price change... On day -0⅛ on week -0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅜ 96	100	†102	103	+0¼	-0⅛	5.24
Asfinag 5 02	150	†99	99⅛	-0⅛	0	5.09
Bk. Fren Econ. Ussr 5 98	100	†100	100½	0	-0⅛	4.96
Bayer W/W 2½ 02	250	†99⅛	99½	+0⅛	-0½	2.55
Bayer. Vrnsbk. Os. 4⅛ 98	100	†100⅛	100⅛	+0⅛	+0⅛	4.68
Elec. De France 5 07	100	†99	100	0	+0⅝	5.04
E.I B. 4⅞ 97	200	†99⅞	100½	+0½	+0⅛	4.73
E I.B 4⅞ 97	200	†99⅛	99⅞	0	0	4.69
Enso Gutzeit 5 99	100	†99½	100	0	+0⅞	5.03
Ireland 5 02	150	†98½	98⅞	0	+0⅛	5.14
Nippon Suis. Ksha. 4⅝ 93	80	†102	102½	0	+0⅝	4.12
Occidentl. Petrol 5⅛ 92	100	†103	103½	-0⅛	0	4.75
Prov of Manitoba 4⅞ 02	200	†99⅛	99⅞	-0⅝	-0⅛	4.83
Prudential Fin. 4⅛ 98	200	†99⅛	100	-0⅛	-0⅛	4.76
Qantas Airways 4⅞ 97	110	†97⅛	97½	0	0	5.11
Trans-Can. Pipe 4⅞ 94	100	†101½	102	+0⅛	0	4.51
Usfig. 5½ 96	120	†103⅛	103½	+0⅛	+0⅝	4.95
Victoria Pub. Ath. 5⅛ 03	118	†100⅛	101½	-0⅛	-0⅛	5.27
World Bank 5 02	200	†99½	99⅛	0	0	5.04

Average price change... On day 0 on week +0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101½	101⅞	+0⅛	-0⅛	4.95
Belgium 4⅞ 94	45	96⅛	97	+0⅛	-0⅛	5.25
Canada 4⅞ 92	80	98⅜	98⅞	+0⅛	-0⅝	4.79
Elec. De France 5⅛ 94	20	99⅞	100	+0⅛	-0⅛	5.17
Ireland 5⅛ 93	30	100	100⅛	+0⅛	-0⅛	5.06
Norway 5⅛ 95	50	98⅜	99⅛	-0⅛	-0⅛	5.30
Rep. of Italy 5⅛ 92	150	103	103⅛	+0⅛	-0⅛	4.79
Sweden 4⅞ 93	30	98⅛	98⅞	+0⅛	-0⅝	5.00
World Bank 5⅞ 92	50	102½	102⅞	0	-0⅞	4.79

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 93 £	50	100⅛	101	0	-0⅛	10.04
Alg. Bk. Ned. 5½ 92 FL	150	100⅛	101⅛	+0⅛	+0⅛	5.14
Amro Bank 6⅛ 92 FL	150	101⅛	102⅛	0	+0⅛	5.72
Barc. Aust. 14 91 A$	20	101⅛	101⅛	0	-0⅛	13.38
Barc. Bk. 10⅛ 97 £	250	97⅛	98⅛	-0⅛	-1⅛	10.57
BP Capital 9⅞ 93 £	100	99	99½	0	-0⅛	9.93
British Airways 10 98 £	100	96⅛	96⅛	-0⅛	-1⅛	10.60
C.I.B.C. Mort. 10⅛ 93 C$	100	†100½	101	+0⅛	-1⅛	10.50
Coop. Ctr. Rabo. 6⅛ 93 FL	100	102⅛	102⅛	0	-0⅛	5.60
Coop. Ctr. Rabo. 6 92 FL	200	101½	102	0	-0⅛	5.50
Denmark 7⅛ 92 ECU	100	103⅛	103⅛	+0⅛	-0⅛	6.60
Deutsche Bank 9⅞ 97 £	75	†97⅛	98	0	-0½	10.26
Dent. Bk. Aust. 12⅛ 95 A$	70	†98⅛	98⅝	0	-0⅛	13.09
E.I.B 10⅛ 98 C$	130	†98	98⅛	+0⅛	-1	10.40
E.I.B 8⅛ 93 LF	10	†101½	102½	0	-0⅛	0.07
Elec. France 10⅛ 95 C$	125	†99⅛	99⅛	+0⅛	-0⅛	10.32
Euratom 7⅛ 97 ECU	145	95⅛	96	0	-1⅛	0.08
Eurofima 7⅛ 92 FL	50	†106⅛	108½	0	+0½	5.30
Fed. Bus. Dv. Bk. 9⅛ 92 C$	75	†99⅞	99⅞	+0⅛	-1⅛	9.86
Ford Cr. Can. 10⅛ 93 C$	100	†101⅞	102⅛	+0⅛	-1⅛	10.12
Gillette Can. 9⅞ 93 C$	70	95½	96⅛	-0⅛	-1½	10.73
G.M.A.C. 9⅛ 93 C$	150	†98⅛	98⅛	+0⅛	-1	10.14
G.M.A.C. 9⅛ 92 C$	75	†99⅛	100⅛	0	-0⅛	9.34
G.M.A.C Aus. Fin. 14 90 A$	50	101⅛	101⅞	+0⅛	+0⅛	13.16
Halifax BS 10⅛ 97 £	100	†99½	100	-0⅛	-0⅛	10.40
Heineken NV. 6½ 91 FL	150	†102⅛	103½	0	+0⅛	5.18
Imp Chem Inds 10 03 £	100	96½	97	-0½	-0⅞	10.43
Inv. Industry Int. 10 95 £	60	99⅛	99⅛	-0⅛	-1½	10.15
Lloyds Bank 10⅛ 98 £	150	96⅛	97⅛	0	-0⅞	10.74
Mtge. Bk. Den. 6⅛ 91 FL	100	102⅛	103½	0	0	5.45
Nat. Australia 14 92 A$	50	101	101⅛	0	-0½	-0.13
Nat. West. Bk. 13⅛ 92 A$	50	†102	102½	0	-0⅛	12.38
Nationwide BS 10⅛ 93 £	75	99⅛	99⅛	-0⅛	-1⅛	10.24
Ned. Midd. Bank 6 92 FL	150	101⅛	101⅛	+0⅛	0	5.54
New Zealand 9½ 93 £	100	97⅛	97⅛	-1½	-1⅛	10.20
New Zealand 7⅛ 93 ECU	200	100⅛	101⅛	+0⅛	-0⅛	7.51
Oesters. Ktbk. 13⅞ 94 A$	75	101⅛	102⅛	+0⅛	-0⅛	13.13
Prudential Fin. 9⅞ 07 £	150	†89⅛	90⅛	+0⅛	-0⅛	10.64
Royal Bk. Scot. 10⅞ 98 £	125	98½	99⅛	+0⅛	-1⅛	10.87
S.O.R. 7⅛ 95 ECU	90	98⅞	99⅛	+0⅛	-0⅛	7.91
Wstd. Lb. Fin. 12⅛ 93 A$	50	†100	100½	-0⅛	-1	12.40
World Bank 5⅛ 92 FL	100	101⅛	102⅛	-0⅛	-0⅛	5.15
World Bank 13⅛ 92 A$	100	†103	103½	0	-0⅛	12.29

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	†.0312	100.15	100.25	13/12	7.91
Alliance & Leic. Bld 94 £	.08	99.30	99.35	21/07	8.33
Belgium 91	0	100.21	100.31	22/08	7
Britannia 5 93 £	0¼	99.78	99.83	8/07	8⅛
Chase Manhattan Corp 91	0⅛	99.25	99.40	22/08	6.94
Citicorp 98	†0⅛	96.85	97.10	31/08	7.69
EEC 3 92 DM	†0	100.49	100.59	22/08	3.56
Halifax BS 94 £	.1	99.52	99.57	9/08	8.47
Invt. in Industry 94 £	0	99.49	99.59	24/08	7.81
Leeds Perm. B/S. 94 £	0⅛	99.91	99.96	13/07	8.37
Midland Bank 01 £	.1	94.12	95.62	11/08	8.54
Milk Mkt. Brd. 5 93 £	0⅛	99.80	99.84	30/06	8.01
New Zealand 5 97 £	.07	99.85	99.95	18/08	7.81
New Zealand 5 01	0	99.59	99.69	4/08	6.98
United Kingdom 3 92	†0	99.99	100.09	7/07	6.94
Woodside Fin. 5⅛ 97	†0	99.56	99.66	28/07	7.31
Woolwich 3 95 £	0⅛	99.26	99.31	19/08	7.87

Average price change... On day 0.00 on week +0.00

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6⅛ 02	8/87	62	102⅛	103⅛	-0⅛	24.30
Alco Health 6⅛ 01	†7/86	26.25	110⅛	111⅛	0	0.47
American Brands 7⅛ 02	9/87	56.7	100	101	-0⅛	24.55
American Can Co. 5⅛ 02	4/87	66.75	64	65	0	64.77
Asahi Bank 2⅛ 02	4/87	967.	133⅛	135⅛	+0⅛	0.43
Asics 5 92 DM	†12/83	472.7	204½	205½	-0⅛	0.05
CBS. Inc 5 02	4/87	200.	90⅝	91⅛	-0⅛	15.90
Fuji Hvy Inds 3 00	8/85	676.	212	213⅛	-3⅛	-2.09
Fujitsu 3 99	5/84	1106.	243⅛	244⅛	-1⅛	-1.49
Gunma Bank 2⅛ 02	4/87	808.	171	172⅛	+0⅛	8.07
Kinki-Sogo Bk. 2⅞ 03 US	4/88	1069.	129⅞	131⅛	+0⅛	-0.34
Land Secs. 6⅛ 02 £	6/87	6.72	100⅛	101⅛	-0⅛	16.33
MCA INC 5½ 02 US	9/87	69.62	79⅛	80⅛	+0⅛	36.05
Minolta Camera 2⅛ 94 DM	†2/86	1004.	103	104	-0½	16.93
Mitsubishi Bk. 1⅛ 02 US	9/87	3157.	130	131⅛	-0⅞	16.17
Mitsui trust 2⅛ 01	10/86	1903.	143	144½	-0½	0.89
Next PLC 5⅛ 03 £	11/87	4.3	103⅛	104⅛	0	71.79
Nishi Nipp. Bk. 2⅞ 03 US	4/88	804.	130	130⅞	-0⅛	11.51
Omron Tateisi 2⅛ 02	4/87	1310.	217⅛	219⅛	-0⅛	-0.73
Ranks Hovis 4⅛ 03 £	1/88	3.5	117⅛	118⅛	+0⅛	8.00
Redland 7⅛ 02 £	1/87	5.4	92	93	-0⅛	15.36
Texas Inst. 2⅛ 02 US	†9/87	82.87	78⅛	79⅛	-0½	38.86
W.R. Grace 6⅛ 02 US	9/87	42.12	85⅛	86⅛	0	36.73

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month, §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Wall Street firms move back into profit

By Janet Bush in New York

THE New York Stock Exchange's member firms returned to profit in the first three months of this year after a dismal performance at the end of the last year in the wake of the October stock market crash.

According to NYSE figures, member firms which do business with the public reported first-quarter earnings after tax of $745m compared with the record loss in the period from October to December of $1.48bn.

Before tax, the first quarter profit was $1.13bn compared with a loss of $2.25bn in the final quarter of 1987.

Despite the overall improvement in profitability, the proportion of revenues from commission business fell to a record low of 18.6 per cent, providing some evidence of the low level of retail participation in the stock market, either by institutions or by individuals.

Commission revenue accounted for 31.9 per cent of total revenues in the fourth quarter of 1987.

Another worrying element of the first-quarter figures was the small decline in member firms' expenses despite far-reaching cutbacks and thousands of redundancies in the months after the October crash.

According to the NYSE, member firms' expenses dropped only 2.7 per cent to $11.89bn in the first quarter, the fifth highest level ever.

Specialist firms, which make markets in shares on the floor of the exchange, reported an after-tax profit of $55m in the first quarter compared with a loss of $7m in the period from October to December last year.

Flotation for Worms insurance unit

By Our Paris Staff

PECHELBRONN, the holding company of the Worms financial group, is to float its insurance subsidiary, Preservatrice Fonciere Assurances (PFA), on the French second market next week.

PFA, the third largest French private sector insurance company behind Victoire and Midi, although only eleventh in size if the state-owned and mutual groups are included, will place 5 per cent of its capital on the market next Wednesday. The conversion of warrants already in public hands is expected to reduce Pechelbronn's stake to 75 per cent by the end of the year.

A minimum price of between FFr425 and FFr460 for the second market dealings will be announced next week, but French stockbrokers expect a much higher price. Estimates go as high as FFr870 a share, valuing the group at FFr7.45bn.

PFA is mainly involved in automobile and transport insurance through its subsidiaries PFA TIARD and Societe Lilloise de Assurances et de Reassurances, with combined premium income of FFr5.15bn last year. PFA Vie, the life arm, had premiums of FFr962m last year. Group net profits flattened out last year at FFr371m on total premiums of FFr6.77bn.

Germans act on automatic sell and buy orders

By Our Financial Staff

WEST GERMANY'S stock exchanges are likely to permit institutional investors the use of automatic sell and buy orders in stock trading as of 1989.

The advisory council to the Association of German Stock Exchanges has recommended to allow the use of so-called stop-loss orders, which lets investors limit their losses or gains in advance, Mr Ruediger von Rosen, the executive chairman of the Association, said yesterday.

The German stock exchanges are stable liquid enough to meet these requests by investors, Mr von Rosen said.

Stop-loss orders have been barred in the past on fears that they could trigger excessive price fluctuations in either direction.

The instruments will be limited to variable trading used by institutional investors. At the official daily fixing, where most retail transactions are executed, automatic buy and sell orders will still be impossible, he said.

The recommendation still requires the approval of the boards of the eight West German exchanges.

Dominique Jackson reports on an options conference in London

Futures chiefs predict co-operation

IF THE PUBLIC statements of the leaders of the financial futures and options business are anything to go by, an era of co-operation is replacing an age of competition in their industry.

It is clear, however, that these industry leaders, not noted in the past for a desire to cohabit blissfully with their competitors, are still groping for a vision of the "future of futures."

At a conference in London organised by the Futures Industry Association and the specialist magazine, Futures and Options World, senior industry figures yesterday united to urge for a new era of closer co-operation between disparate international futures and options exchanges as their only possible defence against encroaching global regulation and rapidly growing off-exchange trading.

However, few could concur on the best way to effect such co-operation between time zones, subject to widely differing regulations and each with their own particular products and domestic market share to protect.

The question of future trends in futures trade hit the headlines earlier this week when the Chicago Mercantile Exchange and Reuters, the UK-based information group, said they had agreed to open up to other exchanges their proposed joint automated 24-hour trading system.

The CME/Reuters plan for an electronic trading network shook the market when it was first announced last September. It represented the first concrete steps towards fully automated, screen-based, 24-hour trading of financial futures and followed a number of tenuous links between exchanges in different time zones, among them the CME and SIMEX of Singapore, most of which had proved far from successful.

The original proposals drew vociferous criticism from traders on other futures exchanges who decried the exclusive nature of the deal. Mr Leo Melamed, chairman of the executive committee of the CME, said it was now the intention to invite vendors and exchanges in every other world financial centre to participate in Globex. Delegates at the London conference, however, remained sceptical about the amended proposals.

Most market operators see the advent of some kind of screen-based automated trading network for futures and options as inevitable. The delay in producing a type of transmission mechanism for futures, similar and perhaps complementary to the systems already in place in international foreign exchange and money markets, is thought to be hampering a second stage in the sophistication and development of the futures industry, following

Brian Williamson: options contracts 'jealously guarded'

the rapid growth seen over the last few years.

The move towards increased regulation in all branches of the securities industries has precipitated this need. The Eurobond market, which had hitherto considered itself beyond the regulatory net of national markets, is now developing its own automated trade matching system to meet its obligations under the UK's new securities laws.

Although futures and options trading is still dominated by the three Chicago exchanges, US regulatory authorities are pressing for more stringent controls of the industry.

A similar system for the futures industry would increase transparency and reinforce the position of the established exchanges which are currently threatened by the rapid growth of a thriving over-the-counter market in derivative products, according to Mr Patrick Arbor, vice-chairman of the Chicago Board of Trade. However, the chances of enforcing any uniform system on the global futures market seem extremely remote.

Mr Brian Williamson of Gerrard & National, former chairman of the London International Financial Futures Exchange, pointed out that futures and options contracts are often seen as the property of the particular exchange on which they are traded and are, as such jealously guarded.

Even if these products could be successfully traded on different exchanges, possibly with a fungible link, there are several more technical problems to be overcome. Procedures and margin levels differ widely around the world while the most crucial problem would be achieving some kind of consistency of guarantee as the contract is traded around the world.

French seek bank ratios change

BY GEORGE GRAHAM IN PARIS

FRANCE'S banking authorities hope to win further changes in the detailed proposals for international bank prudential ratios at the final meeting of bank supervisors next week.

The Bank for International Settlements committee chaired by Mr Peter Cooke, of the Bank of England, is due to meet next week to put the finishing touches to its report, which will then be submitted to central bank governors in July.

The French banking representatives are expected to press for modifications to the treatment of mortgage loans, and also for some clarification of the treatment of debt exposure to public sector institutions, whose status varies widely from country to country.

The initial Cooke report, published in December, would require banks by the end of 1992 to have capital reserves equivalent to 8 per cent of their loan exposure. Both the different types of capital and the different categories of loan or asset would be weighted according to their degree of reliability.

Residential mortgages would be weighted at 50 per cent of their full value under the terms of the initial Cooke proposals, but many banks feel this is unnecessarily severe for a very safe category of risks.

"We do not think enough account is being taken of the mortgage pledge, which at least in France is a very real guarantee," Mr Philippe Lagayette, deputy governor of the Bank of France, said yesterday.

The French banking authorities have already diverged somewhat from their counterparts in the weight they attach to provisions established against sovereign loan risks. French banking supervisors plan to allow general country debt provisions to count as capital up to a limit of 2 per cent of total exposure, where the US and the UK are expected to apply lower limits or not to allow these provisions to count as capital at all.

Major French banks had established provisions covering around 40 per cent of their exposure in risk countries at the end of last year, up from 31 per cent at the end of 1986 and 23 per cent at the end of 1985, according to the annual report of the Banking Commission.

Officials involved in the Cooke committee deliberations say a number of points remain very unclear, and expect negotiations next week to be difficult.

Horten sells its headquarters

By Our Financial Staff

HORTEN, the West German retailer, has sold its headquarters to two subsidiaries of the Dutch pension fund Pensioenfonds Voor de Gezondheid Geestelijkenen Maatschappelijke Belagen.

The company declined to reveal the purchase price or the book value of the 55,000 sq m property built in 1961 on the outskirts of Düsseldorf.

Mr Heinz Garsoffky, Horten's management board chairman, said earlier this month that Horten would sell or rent the headquarters as it had become too big for the company's purposes. The building can house 1,500 but Horten employed only 750 at head office.

Horten said it was seeking another site in the Düsseldorf area to build new headquarters.

UK COMPANY NEWS

Safeway helps Argyll to 64% rise

BY MAGGIE URRY

Argyll Group, the supermarket company, showed the first fruits of its £681m acquisition of the Safeway food retailing chain in February 1987 by revealing a 64 per cent improvement in pre-tax profits to £132.1m for the year to April 2.

Sales rose by 60 per cent to £3.24bn. The period included 53 weeks from the old Argyll business and 54 weeks from Safeway.

Profits more than doubled to £178.6m, roughly in line with City expectations, before an exceptional debit of £43.6m, relating to costs of converting some of Argyll's Presto shops to the Safeway format.

The exceptional costs, predicted a year ago, included £24.9m of fixed assets written off, a non-cash cost which the Inland Revenue has not allowed for tax purposes. Thus the tax charge was a high 41.6 per cent of the post-exceptional profit figure. Mr David Webster, finance director, said this would revert to normal in the current year.

Mr Alastair Grant, deputy chairman, said that further exceptional costs would amount to about £26m in the current year, and £20m divided over the subsequent two years.

Argyll also announced that Mr Jimmy Gulliver, the chairman, would retire at the end of end of this month, rather than the planned date of the annual meeting in September. Mr Grant will become chairman and chief executive.

Mr Grant said that operating margins for the group had risen from 3.9 per cent to 5 per cent. In the second half, the group margin was 5.2 per cent, which suggested that margins in the more profitable Safeway chain were running at over 6 per cent.

The programme of converting Presto shops to Safeway outlets had been accelerated, Mr Grant said. During the past year seven conversions were made, and in 1988-89 another 60 Prestos would be converted. After the conversions the former Presto stores increased sales by more than 50 per cent and doubled their profit contribution, he added.

By 1991 Argyll plans to have 400 Safeway stores, making 85 per cent of group turnover. The smaller Presto shops not suitable for conversion to Safeway would become Lo-Cost discount stores, of which there would also be 400.

Towards the end of the development period Argyll would look at diversification moves, probably sticking to food retailing, but in another country.

Profits were helped by a £19.3m turnround on interest to a receivable figure of £13.7m. Last summer's rights issue had left the group with £130m of net cash at the year end. Capital expenditure last year was £177m which would rise to £285m this year.

The group lacked profits from the food and drinks businesses sold, which contributed £900,000 compared with £13.5m.

Earnings per share after the exceptional costs and on an actual tax charge fell 27.3 per cent to 8.8p. However, excluding the exceptional item and on a 35 per cent tax charge earnings rose 12 per cent to 13.1p.

A final dividend of 3.5p is proposed giving a total of 5.3p, a 17.3 per cent increase.

See Lex

C E Heath raises board salaries

BY NICK BUNKER

C E Heath, the medium-sized Lloyd's insurance broker, has revealed in its annual report that 109 of its 3,345 employees were paid more than £30,000 in 1987/88, a year when the group's profits before tax and exceptional items fell 13 per cent to £22.25m.

The wage bill, just for the group's main board directors, totalled at least £955,000. That figure includes six members of the board who received salaries of more than £95,000 each.

Heath – which is only just emerging from a deeply-troubled period – has also dramatically increased the money it pays to its chairman since its merger with rival broker Fielding Insurance in late 1986.

Mr Richard Fielding, who took the Heath group's chair on January 1 1987, earned £170,830 last year or about 70 per cent more than his predecessor Mr Derek Newton, who was paid £100,214 in 1986.

One striking feature of the group's remuneration figures however is the high number of middle-ranking staff who earn salaries of more than £30,000. In all, 79 members of staff other than main board directors earned last year between £30,000 and £50,000, compared with 67 staff who were in that salary bracket in 1986-7.

On average, however, Heath's employees are a long way from being the highest paid in the insurance broking sector, which has long had a reputation for large rewards. Salaries per employee at Heath averaged only £13,218 in last year, compared with £19,700 at its biggest rival, Sedgwick Group.

Watson & Philip up 49%

Watson & Philip saw strong growth in profits and sales in its first half. Taxable profits in the six months to April 29 rose 49 per cent from £927,000 to £1.38m on turnover ahead 28 per cent at £112.86m.

The interim dividend is being raised to 2.65p (2.3p) on earnings per 10p share of 5.9p (4.7p).

The directors said organic growth and acquisitions made at the end of the last financial year offset the intense competition in the Scottish cash and carry operations.

The lease of the Edinburgh cash and carry warehouse had been acquired and a 40,000 sq ft replacement for the Kirkcaldy cash and carry depot was in hand.

Brierley reveals stake in Gibbs Mew

BY LISA WOOD

SIR RON Brierley, the New Zealand entrepreneur has declared a stake in Gibbs Mew, USM-quoted family-controlled brewer. He announced yesterday that his stake had increased from just under five per cent to 5.16 per cent.

In addition, Sir Ron's IEP Securities was understood yesterday to have increased its stake in Vaux, the Sunderland-based brewer from 2.2 per cent to 2.6 per cent.

Earlier this week, IEP Securities sold its 5.8 per cent stake in Scottish & Newcastle Breweries to Elders IXL, the Australian brewer, lifting Elders' holding to 8.92 per cent.

Mr Roger Gibbs, secretary of Wiltshire-based Gibbs Mew, said IEP had built up the holding of just under five per cent over a period of time.

He said Sir Ron's increased interest was the largest stake after holdings held by the family and its trusts which exceeded 50 per cent. "We have not received a takeover approach from Sir Ron Brierley," he said.

Over the years, Gibbs Mew, which has been quoted on the USM since 1984, had received takeover approaches just like other brewers, Mr Gibbs stated.

In the half-year to end-September, Gibbs Mew saw beer volume fall slightly with pre-tax profits increasing slightly from £563,000 to £589,000.

Analysts were unable to suggest credible reasons for Sir Ron's stake although one said family-control had not inhibited takeovers in the drinks industry – for example Seagram's takeover of Martell.

Golden oldies buy for Pickwick

Pickwick Group is acquiring Old Gold Records. The initial consideration of £800,000 is to be satisfied by the allotment of 354,387 new shares. The price may be adjusted dependent upon results for the periods up to December 31 1991.

Old Gold, which re-issues original hit records, made pre-tax profits of £147,000 on turnover of £1.56m in the year to June 30 1987.

Raleigh group buys Royal Worcester

By Philip Coggan

Derby International, the private company established last year to acquire the Raleigh bicycle manufacturing group, has emerged as the buyer of Royal Worcester Spode, the fine china manufacturers.

The Worcester and Spode companies were founded in the mid-18th century and joined forces in 1976. The combined group is currently the third largest UK fine china manufacturer behind Wedgwood, part of Waterford Glass, and Royal Doulton, part of the Pearson group which owns the Financial Times.

Royal Worcester's current owner, London International Group, the consumer products and services group best known for its condoms, announced that it was discussing the sale of the china company earlier this month. LIG had hoped to build up a substantial china business but an attempted bid for Wedgwood in 1986 was thwarted when it was referred to the Monopolies and Mergers Commission.

LIG subsequently decided that it was too difficult to build up a position of international leadership in china on the basis of Royal Worcester alone. In the year to March 31, Royal Worcester made an operating loss of £1.3m on sales of £37m.

Derby was established in 1987, with the backing of a group of international investors, to acquire Raleigh from the TI group for £18m. Bicycles and china do not seem likely products for synergy but Mr Alan Finden-Crofts, Derby's chief executive, said yesterday that both Raleigh and Royal Worcester Spode were strong international brand names. "We believe that we have the ability to manage international consumer brand names," he said.

LIG said that Royal Worcester Spode has recently been experiencing difficult trading conditions. But Mr Finden-Crofts was confident of Derby's ability to improve the company. "If you've got very strong brands and your products are good, why the hell can't you make money?" he said.

The total consideration for the purchase will be £37.6m - including the paying off of £10.6m of debt owed to LIG and £10m of external debt.

Reverse takeover at J. Michael

By Philip Coggan

John Michael Design, USM-quoted design company, has finally found a merger partner, eight months after it announced plans for a capital reconstruction organised by Hillsdown Investment Trust.

The deal with the investment subsidiary of Hillsdown Holdings, food-to-furniture group, fell through, as did e subsequent reverse takeover plan. But now, Capital and Investment Securities, a private company backed by financial services group, UTC, is to acquire control of JMD via a reverse takeover.

JMD will issue 17.85m shares to acquire CIS, which has net assets of £2.1m in cash. As a result, CIS's vendors will own 68.2 per cent of the enlarged equity.

Mr Keith Moss, who was previously a director of Gerson Trust and has previously been involved in financial services groups such as BWD Securities and Palmerston Securities, will become chief executive of the enlarged group. "I want the company to expand into related areas such as sales promotion and media communications" he said yesterday. The group will change its name once e merger is effected.

JMD slumped into loss in the first half of the year to March 31 and the company said yesterday its performance had continued to deteriorate in the second half. Significant losses for the full year will shortly be reported.

The company said its problems arose from poor costs control and the ill health of Mr David Callcott, chairman and joint managing director, Mr Callcott is stepping down as chairman, although he will remain an executive director after the merger.

JMD's shares are currently suspended

Ossory acquisition

Ossory Estates has acquired Aranmore Developments, a private property development and dealing company, for £1.44m, representing Aranmore's net asset value at June 24 1988.

Consideration will be satisfied by the issue of 7.21m new Ossory 5p ordinary shares. A further payment may be made relating to profits from a land disposal.

David Waller on Tomkins' Murray Ohio purchase

Transformation through the acquisition trail

Tomkins is typical of a breed of companies which have sprung up since the turn of the decade: run by chartered accountants and graduates of the Harvard Business School, it is an earnings per share machine fashioned out of a former metal-basher.

Modelled on BTR and Hanson, Tomkins – in more sleepy days known as F H Tomkins – has been transformed over the last five years into a broadly-based industrial conglomerate with a market capitalisation approaching £400m.

Yesterday's $224m (£126m) agreed bid for Murray Ohio – which saw off a hostile bid from the Swedish group Electrolux – follows last June's acquisition of Smith & Wesson, the hand-gun manufacturer, and doubles the proportion of group profits coming from the US.

The purchase of the Tennessee-based manufacturer of lawnmowers and bicycles is not quite classic Tomkins, on two counts. This is the the first time that Mr Greg Hutchings, the 41-year old Tomkins chief executive and possessor of a Harvard MBA, has sought to buy a company with a significant loss-maker in its midst (the bicycles business doubled its losses last year to $7.58m).

Moreover, this is the first acquisition where there has been any synergy with an existing business (Tomkins bought Hayters, a UK mower business, in December 1984, supplemented by the purchase of Beaver Equipment last autumn). But, in all other respects, the latest transaction bears the familiar hallmarks: the target company operates in

Greg Hutchings, Tomkins' chief executive

stable, middle-tech manufacturing markets and appears to have been "undermanaged". The hope is that it will respond to the Tomkins treatment.

In line with business school orthodoxy this requires the application of strict financial controls and the introduction of performance-related bonus schemes for managers. These, rigorously applied to companies acquired over the period, have helped Tomkins increase pre-tax profits from £1.6m in 1983 to £46m forecast yesterday for the year to April.

According to Mr Hutchings yesterday, there are synergistic benefits to be derived from the cross-sourcing of products, technology and distribution between the US lawnmower business and Hayters in the UK – but these are not the principal reasons for the acquisition.

Located in Brentwood, Tennessee, Murray Ohio derives some 75 per cent of its turnover (which amounted to a total of $438m last year) from sales of walk-behind and ride-on power motors. This gives the company some 20 per cent of the US market, a market which is relatively invulnerable to import penetration (foreign manufacturers had only a 1 per cent share last year). It was this which inspired Electrolux to make its hostile bid as part of its strategy of boosting its business in "outdoor products".

Turnover in power motors surged from $257.7m to $326.8m last year, and operating profits from $29.9m to $40.4m after three years on a plateau of around $24m. Tomkins attributed this upswing to a combination of new products and manufacturing efficiencies. The news has not been so positive on the bicycles side of the business, where turnover has dwindled from $181m in 1983 to $111.3m last year. Bicycles contributed $11m to profits in 1983, but moved into the red in 1986.

Murray, which makes about a third of all the bicycles manufactured in the US, has suffered from an onslaught of imports over recent years. In the second half of last year, however, sales rebounded and it is expected that bikes will make a profit in the fourth quarter of the current year.

Tomkins' new-found willingness to tackle such problems was welcomed by analysts yesterday. The acquisition is expected to enhance its earnings in the current year, and leaves the company with gearing of 10 to 12 per cent.

Acquisitive Blacks recovers to £4.76m

BY NIKKI TAIT

Blacks Leisure, camping equipment, sportswear retailer and fashion goods manufacturer, yesterday unveiled pre-tax profits of £4.76m in the year to February 27. Sales were £43.6m.

Blacks, which was hauled back from impending receivership by a £1m consortium package in late-1986, made a number of acquisitions during the year. All but one of these have been merger-accounted; the exception was S Eker, the textile converter and merchant, which was bought for a mixture of cash and shares last July, and was acquisition-accounted.

Accordingly, Blacks has restated its 1986–87 figures, to give comparable pre-tax profits of £292,000 and sales of £35.2m. The original reported figure for 1986–87 was a pre-tax loss of £2.44m.

Yesterday, Blacks said that had Eker been included for the entire period, the pre-tax figure for 1987–88 would have been £5.76m. There was no contribution from the West 8 sports shop chain, which was acquired after the year-end.

Following a tax charge of £1.54m (32 per cent), earnings per share worked through at 0.86p. The company, meanwhile, is celebrating its return to full-year profits by paying off three years of preference share dividend arrears, and making a 0.1p a share payout to ordinary shareholders, the first ordinary dividend for over four years.

Yesterday, Mr Bernard Garbacz, chief executive, said about 30 per cent of profits came from retail operations, with all 27 ongoing Blacks stores now profitable.

● **comment**

For the limited number of analysts following Blacks, there were few surprises yesterday. As expected, the recent acquisitions met, or slightly surpassed, warranted profit levels and perhaps the better news was that the Blacks chain itself, now slimmed down to 27 outlets, contributed just over £400,000 to the profits total compared with its previous losses. But the major question is where Blacks goes now. The company is confident that current market conditions need not halt acquisitions – pointing out that it now has no need to buy in further management. Even so, bull market paper sprees are a thing of the past and, in the meantime, Blacks' asset base – about £7m – is still thin. With West 8 chipping in this year, analysts seem to think £7.5m before tax is in sight, which makes the prospective multiple about 15. That is still a premium to the sector, and reflects expectations that the company will do more than grow organically. The current year may be more testing – but so far, so good.

UK COMPANY NEWS

Nestlé extends £2bn bid for Rowntree

BY DAVID WALLER

Nestlé, the Swiss foods company, yesterday went through the formality of extending its £2.1bn bid for Rowntree, the York-based chocolate company which is also being stalked by Jacobs Suchard, another Swiss company.

At 890p a share, Nestlé's bid has no hope of succeeding, and so yesterday's move was no more than a tactical move in a war of nerves. Although Rowntree's share price fell 5p yesterday to 1045p, remains resolutely above both the Nestlé bid and the 950p offer from Suchard.

The market is still anticipating a higher, knock-out offer from either of the two parties, perhaps with the recommendation of the Rowntree board. None of the three parties are prepared to comment on speculation that they are holding talks.

Nestlé, which holds just under 16 per cent of Rowntree, has extended its offer until July 4 - the date of the first closing date for Suchard's £2.3bn offer. Under the timetable set by Suchard's bid, the last date for an improved offer is July 29. The last date for a bid to be successful is August 12.

Powerscreen shares hit by setback on solid fuel side

BY CLARE PEARSON

SHARES IN Powerscreen, whose core business is quarrying equipment, fell 18p to 96p yesterday after results for the year to end-March showed worse-than-expected losses in its solid fuels side.

The sale of the fuels distribution business, which incurred a loss of £753,000 and reduced group pre-tax profits to £9.04m, should be complete by next week, the company said. Conditional contracts had been signed.

Only in the second half of the year, after the resignation of most of its senior management, did the full extent of its problems emerge, said Mr Pat Dougan, chairman.

The solid fuels distribution businesses were inherited by Powerscreen when it effectively acquired British Benzol in a reverse takeover in November 1986. The company's name was changed to Powerscreen last July.

The sale is expected to raise £2.1m, £750,000 above book value. Mr Roger Taylor, chief executive of the solid fuels division, has tendered his resignation from the board.

The pre-tax profits figure compared with £9.04m last time, of which £750,000 was contributed by British Benzol. The 1986–87 figure included a 15-month period for Powerscreen, although the extra three months fall within the normally depressed winter period.

Turnover was £48.92m (£50.53m), breaking down into a 10 per cent advance at Powerscreen to £31.41m, and a 20 per cent fall in British Benzol activities to £17.51m.

On a fully-diluted basis, earnings per share were 10.1p (8.9p). The recommended final dividend is 2.5p giving a total of 3.5p (2p) for the year.

● comment

Powerscreen directors have not exactly courted the City during their brief careers as managers of a public company, and what reputation they have established has probably been shot to pieces by yesterday's nasty shock. Followers of the company had been expecting pre-tax profits as high as £11.5m. Mr Dougan had, however, given an indication that things were not well with the fuel distribution side at the interim stage; at that time he said a sale might be "imminent". Some very unattractive sale-and-leaseback arrangements on some of the outlets have, however, impeded Powerscreen's effort to get shot of it. These problems aside, the high-margin core businesses continue to thrive – although the company's enthusiasm for its new Commander screening equipment led some analysts yesterday to speculate that some other of its lines might have been looking a bit elderly lately. Fully-diluted earnings per share may come out about 13p this year, after pre-tax profits of £13m. This puts the shares on a prospective p/e of under 7.5, but who is going to say they are cheap?

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Amber Industrial ...fin	7.75	-	7	11	10
Argyll Group ...fin	3.5†	Oct 10	3*	5.3	4.55*
Blacks Leisure ...fin	0.1	Sept 1	nil	0.1	nil
Blick ...int	2	Sept 14	1.6	-	4.2
Burndene Invs ...int	2	Sept 1	1.5	-	5.5
Cape Industries ...fin	4	-	2.5	5.5	3.5
Freshbake Foods ...fin	2	Aug 26	1.5	2.8	2.3
GEI Int ...fin	3.91	-	3.91	5.85	5.85
Meyer Intl ...fin	7.1	Sept 5	4.85	9.5	7
Lookers ...int	1.65†	-	1.3*	-	4.18*
Powerscreen Intl ...fin	2.5†	-	3	3.5	2
Reliance Sec § ...fin	3.25	Aug	-	4.75	-
Sterling Inds ...fin	2.4	-	2.2	3.4	3.1
Watson & Philip ...int	2.65	Aug 12	2.3	-	8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Anglia Television, Bankers Inv Tst, Greenwich Resources, Kemp PE, Arthur Lee, Spice, Wilding Office Equipment.

Finals- Anderson Strathclyde, Boase Massimi Pollitt, Book Industries, Brookmount, Cable & Wireless, Charter Cons, Caledonia Investments, Galemar, Hunting Gp, Kewill Systems, Mountview Estates, Christian Salvesen, Stavely Industries, Zambia Consolidated Copper Mines.

FUTURE DATES

Interims-

Crest Nicholson	June 28
Eurotherm Int'l	July 10
River Plate & Gen Inv Tst	June 23
Throgmorton Trust	June 30

Finals-

Ariel Industries	June 24
Bangkok Investments	June 30
Brown and Tawse	July 4
Buckley's Brewery	June 28
Dixons	July 13
General Electric	June 29
Lovell	July 5
Millward Brown	June 28
Northumbrian Fine Foods	June 28
Reed Executive	July 4
River Plate & Gen Inv Tst	June 23
Royal Tst Dollar Inc Fund	June 30
Stirling	July 4
Swanyard Studios	June 24

British Airways interested in acquiring stake in LanChile

BY ROBERT GRAHAM, LATIN AMERICA EDITOR

British Airways is interested in acquiring a stake in LanChile, the Chilean national carrier, which is in the process of being privatised.

LanChile has become one of the most dynamic carriers in Latin America, earning profits last year of $8m on income of $50m. British Airways would be permitted to hold an initial stake of up to 35 per cent of the 49 per cent on offer to the public.

British Airways yesterday said that it was not its policy to comment on potential purchases. However, in Santiago officials at the Corporacion de Fomento de la Produccion (CORFO), the state holding company responsible for the Government's privatisation programme, confirmed BA's interest.

They said the offer of a one third stake to a foreign operator in LanChile went out in May and was open for 90 days. At least 12 per cent would be offered to the LanChile workforce and the remainder would be sold on the Santiago stock exchange, they added. Eventually the Government intends to retain only 40 per cent of the equity.

Last year Ansett Worldwide Aviation Services (jointly owned by Mr Rupert Murdoch's News group and Sir Peter Abeles' TNT) paid $10m in a complex debt-swap and lease deal, acquiring a 35 per cent stake in Ladeco, the second Chilean carrier.

LanChile's search for a foreign partner reflects the view that small national carriers without direct government backing will face an increasingly tough future operating alone. The same view is shared by Aerolinas Argentinas, the Argentine state airline, which is being privatised and earlier this year sought a tie-up with SAS.

In spite of LanChile's small fleet, it has an interesting route structure and traffic rights, including a Pacific route via Easter Island and Tahiti to Australia. However, BA's main interest would be to integrate with LanChile's Latin American routes where its own world network is weakest.

In South America, BA only flies to Caracas, Bogota and Rio de Janeiro. The cancellation of flights to Buenos Aires as a result of the 1982 Falklands conflict and the ensuing Anglo-Argentine diplomatic deadlock is denying to BA the London-Buenos Aires route, traditionally the most profitable one.

If the deal were to go through, it is expected to be financed by one of several debt conversion packages that have made Chilean assets so attractive to foreign investors. In the past three years Chile has completed debt conversion deals worth $3.9bn, the largest amount in Latin America.

Builder joins main market with £21m tag

By Philip Coggan

The Builder Group, a business magazine publisher, is joining the main market via a combined placing and offer-for-sale which values the group at £20.6m.

The group can trace its origins back to 1842 when Mr Joseph Hansom, the inventor of the Hansom cab, founded Tha Builder magazine. Until recent years, the group's main business was the publishing of that magazine, which changed its name to Building in 1966.

The company has expanded its range in the 1980s, principally via joint ventures with professional and trade bodies such as the Royal Institution of Chartered Surveyors.

As is common with magazine publishers - advertising revenue makes up a substantial part of the group's income; last year, the proportion was around 92 per cent. Advertising revenue is ahead of last year's levels so far this year and the directors say they are encouraged by the forecasts of activity in the building sector.

Pre-tax profits have grown from £642,000 in the year to March 31, 1984 to £1.85m last year.

Samuel Montagu is placing 2.4m shares with institutions and offering 1.2m shares to the general investing pubic. At the offer price of 125p, the shares are on a p/e of 9.6 based on the actual tax rate paid, but on a nominal tax rate of 35 per cent, the fully diluted p/e rises to 16.

Applications for a minimum of 200 shares must be received by June 28.

●comment

Specialist publishing can be an extremely lucrative business if you find the right niche and exploit it for all it is worth. Builder has done its best in recent years to expand on its core magazine, but the problem remains; what happens to a heavily advertising-based company when the construction sector moves into reverse? For the moment, Builder, which has 140 years experience, sees no sign of such a downturn; but it could happen in two years or so just at the time when the company is losing the tax credits from its Docklands development. Those considerations and the likely limited marketability of the stock seems set to ensure that the shares will go to a modest, rather than a substantial, premium when they begin dealings.

OEM shares drop after losses rise to £4m

BY FIONA THOMPSON

SHARES in Office and Electronic Machines dropped 20p to finish at 125p last night after the company reported pre-tax losses worsening from £439,000 to £4.02m. An extraordinary debit of £4.01m takes the net loss to £8.03m.

"It has been a horror story, a legacy of many years of neglect and a lack of strategic vision," said Mr Brian Schneider, a non executive director of OEM appointed as part of a boardroom shuffle in January. At the same time Mr Douglas Hawkins was appointed managing director, moving from electronics industry research at stockbroker James Capel.

OEM is the sole agent in the UK for the distribution of the Adler, Imperial and Triumph ranges of electronic typewriters, word processors and related equipment.

In January, Price Waterhouse was commissioned to carry out a full review of the group due to the inadequate state of the financial information. This review indicated net borrowings in excess of £3m and a cash outflow of £100,000 per week. Action was taken to stem the outflow - three sites closed with 160 job losses - and net borrowings now are £2.2m, said Mr Schneider.

The £4m extraordinary debit followed the scrapping of its "AT Plus" dedicated word processor which failed. "We thought it would be our salvation but it became a black hole," he said.

South African mines report record capex, employment and ...

BRIGHTER SIGNS ON LABOUR FRONT

This is an abridged version of the address given by Mr T I Steenkamp at the 98th Annual General Meeting of the Chamber of Mines held in Johannesburg on June 21, 1988.

Despite record capital investment and employment levels the South African mining industry has entered what may prove to be one of the most difficult periods in its history.

Persistent double-digit inflation affects all mines, our coal-mining industry has been hit by both a weakening world market and economic sanctions: and there was a major strike last year involving many of our mines. For these and other reasons our earnings from mineral sales in 1987 fell – only the second time this has happened in more than four decades of steady earnings growth.

The major mining groups therefore all agree that in the interests of our shareholders, of our employees and of Southern Africa as a whole, we must now gather our forces and strengthen the basis for the long-term survival and progress of our industry. We are agreed that we must find an enduring formula for coping with our changing economic and industrial relations environment.

The mining industry is applying rigorous controls on expenditure, both on the mines and at head offices, while looking for greater efficiency and productivity through improved mining technology and a better educated and more stable workforce.

The scope for this is considerable, as South Africa's collieries have shown by increasing their productivity by no less than 96 per cent in the period 1978 to 1987 – due almost entirely to a switch from hand-got mining methods to mechanisation.

Trackless mining and research being conducted into a number of other key areas are steps towards greater efficiency and productivity; so too are moves to utilise people of all races to the best of their ability. The latter has been made possible by the progressive removal of discriminatory laws and work practices.

The practical effect of this is that there are now on the mines over 5 000 blacks, coloureds and asians employed in jobs previously reserved for whites only. This equates to about 12 per cent of the skilled workforce and 17 per cent of all apprentices in training, and the process is continuing.

Here I must make a special mention of amendments made to the Mines and Works Act during the year which will enable people of all races to acquire blasting and certain other certificates of competency, thus overturning a racial prohibition on the acquisition of these certificates which dates back to 1893.

Last year the National Union of Mineworkers initiated a costly three-week strike involving close on 40 per cent of the industry's workforce on the Chamber's member gold and coal mines. The industry sought to view and handle the strike as an industrial dispute, but an evident underlying aim with the strike was to demonstrate wide worker support for an agenda ranging from sanctions to seizure of control of the national economy.

Resentment has been engendered by the loss of jobs resulting from the strike and from sanctions; by the NUM's advocacy of further punitive measures, such as the desire expressed by the NUM president on foreign television to see the country's gold mines closed down; and by the often vicious reprisals against individuals who refused to support the strike – all these have strengthened a counter-reaction with which management must now also deal.

There may be grounds for hope that the union leadership has sensed the mood of reaction prevailing in the workforce, reflected by the relative peace enjoyed by the industry latterly, and particularly the virtual non-participation of the mining industry's workforce in the June stay-aways. Our negotiations with the NUM on the 1988 review of wages and other conditions of service have so far also progressed on more conventional lines and I would like to believe that good-faith bargaining will win out this year.

The mining industry remains a major provider of work and income for the people of the sub-continent. During 1987 the size of the total workforce in the South African mining industry grew to 759 000, an increase of 3 000 over 1986 and an all-time high for the industry. Its worth for the people of Southern Africa is evident from the more than R2 billion that finds its way back to the source communities.

Capital expenditure is running at record levels, reaching R4,9 billion last year. That represents 15 per cent of total gross domestic investment. In the period under review some 16 gold and six new platinum ventures of varying sizes have come into production or have been approved. Between now and the end of 1990 capital investment in gold mining alone has been estimated to total R13 billion. This must be seen against the decline over the past four years of real investment in the South African economy, whilst mining has registered a real increase of some 31 per cent. It is clear that South Africa will continue to rely on mining as the major generator of wealth.

A measure which will impact directly on industrial relations in South Africa is the controversial and widely discussed Labour Relations Amendment Bill which was published for comment in September 1987, and republished on 16 May this year, following amendments by the Standing Committee on Manpower and Mineral and Energy Affairs.

It is our view that this new legislation will not impede the ability of trade unions to achieve their objectives of negotiating improved wages and other conditions of employment for their members, as is currently claimed by the unions and some other industrial relations specialists. Many of the objections raised by the Congress of South African Trade Unions to the first Bill were in fact addressed in the final Bill published on 16 May 1988. The new Bill is without doubt an improvement on the first Bill and its provisions are essentially in line with labour legislation in Western countries.

Since the final Bill was published the South African Employees' Consultative Committee on Labour Affairs, of which the Chamber is a member, has been having discussions on the Bill with COSATU and in the future these discussions may bear fruit. It is also understood that COSATU will soon for the first time have direct discussions on the Bill with the Minister of Manpower and Public Works.

CM

The full text of this address is available from:
The General Manager
Chamber of Mines of South Africa
P.O. Box 809
Johannesburg 2000

Meyer profits advance 40% to over £63m

BY FIONA THOMPSON

Meyer International, the importer and distributor of wood products which owns the chain of Jewson building merchants, yesterday reported a 40 per cent increase in pre-tax profits, from £45.12m to £63.08m, in the year to March 31 1988. This includes a £6.8m profit on property disposals.

Earnings per share rose to 44.4p (32.7p) and the directors recommended a final dividend of 7.1p, making a total for the year of 9.5p (7p).

Group turnover increased from £616.32m to £712.50m. The Jewson merchants division was particularly successful, the company said, with profits up 46.3 per cent to £34.35m on sales 21.5 per cent ahead at £349m. Jewson now represents 40 per cent of group business and at the year end there were 167 branches in the UK. "So far this year two more branches have opened, two others are in the pipeline and we plan to open another eight", said Mr Bruce Wright, financial director. "Our target is one a month".

Forest products performed well, increasing profits by 22 per cent to £20.17m on sales of £252.99m (£224.29m). This division has 29 companies operating in the UK, importing and distributing softwoods, hardwoods and panel products.

The manufacturing division has been undergoing rationalisation but Crosby Doors and Crosby Kitchens showed good returns. Manufacturing profits rose to £7.42m (£5.48m) on sales of £44.44m (£40.77m).

The picture was not as rosy overseas, with profits slipping from £1.63m to £1.43m although sales increased to £46.51m (£30.25m). "We had particular problems with one trading company in the US", said Mr Wright, "and in Australia the costs of integrating a new business were higher than we expected".

Currency translations shaved £130,000 off profits. An extraordinary credit of £941,000 (£1.66m credit) resulted from business disposals. Tax took £19.85m (£13.49m).

● comment

Meyer's results were in line with or better than expectations but profit taking saw the shares fall 6p to 383p last night. The strong UK performance was helped by the favourable conditions of a construction boom and temperate final quarter weather. Overseas there was not much return from £46m turnover but Australia should do well in the next couple of years and the base has been laid for US growth. Far more important this year will be the full contribution of the Dutch Pont-Meyer acquisition, which could contribute about £200m to sales. Jewson goes from strength to strength, though there is further scope for improving margins. Analysts are looking for pre-tax profits this year of about £75m, which puts the shares on a prospective p/e of just over 7, not expensive.

Mr Peter Goldie (left), chief executive, and Mr John Gunn, chairman, of British & Commonwealth Holdings, financial services group, after its annual meeting yesterday where a few dissenting voices were raised over the company's decision to donate up to £100,000 to the Conservative party.

"It is quite wrong for political parties to be funded by major corporations or trade unions" said one shareholder, to scattered applause. But the vote to back the donation was carried easily with only a sprinkling of hands against.

One or two shareholders also objected to the size of the board's and Mr John Gunn's remuneration – the chairman earned £988,000 last year. Only one shareholder voted against Mr Gunn's reappointment.

Mr Gunn said he was hopeful of shortly announcing some news about the sale of the wholesale money broking division of Mercantile House.

Baby carriage buy for Hestair

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

Hestair yesterday added to its transport interests – previously confined to garbage trucks and buses – with the £12.9m purchase of Andrews Maclaren, Britain's leading baby buggy maker.

The mini-conglomerate, which had been searching for consumer product companies to balance the recent growth in its employment agency business, said the deal would be largely funded by a vendor placing.

Of 3.92m shares to be issued, 592,425 will be retained by Maclaren's owners, with the remainder placed conditionally with institutions at 290p a share. The balance of £1.5m will be covered by a 7 per cent unsecured loan stock.

Maclaren, which claims 40 per cent of the UK pushchair market, made pre-tax profits of £1.2m in 1987 on sales of £20.2m. It expects to make £1.5m in the current year to end-August on turnover of £21m.

The acquisition will form part of Hestair's consumer products division, which currently includes Kiddicraft pre-school toys and Hope educational supplies and stationery. Hestair said it saw room for improvement by pushing Kiddicraft work though Maclaren's under-used plastics mouldings capacity.

Hestair has evolved during the 1980s from a specialist vehicle maker into a conglomerate which draws more than half its profits from employment agencies in Britain and the US.

Mr David Hargreaves, chairman, said that the company was still on the takeover trail in the US, and aimed to push turnover up to $400m (£225m) as quickly as possible. Sales were currently running at about $230m a year.

● Hestair's sales in the first four months of the current year were 75 per cent higher than in the comparable period last year, Mr Hargreaves told the annual meeting yesterday.

Maxwell group approves new £2bn borrowing level

BY NIKKI TAIT

SHAREHOLDERS in Maxwell Communications Corporation, the printing and publishing group headed by Mr Robert Maxwell, yesterday approved a change in the company's articles of association, allowing it to take on borrowings of up to £2bn.

The group's previous borrowing limit was set at two times the adjusted share capital and consolidated reserves – a fairly standard formula. On the basis of the last balance sheet, to end-December, maximum permitted borrowings would have been £1.37bn. Actual net debt at the end of 1987, during which MCC raised £630m through a rights issue, stood at around £200m, against shareholders' funds of about £1bn.

At yesterday's annual meeting, the ever-ebullient Mr Maxwell told shareholders that his well-publicised and lofty targets for the company – "one of the ten largest information and communications companies in the world" by the end of the decade, coupled with "an ambitious acquisitions strategy" – would not require further taps on their funds.

"How will we finance it all?" demanded Mr Maxwell, rhetorically. His answer centred on a $2bn credit line set up with eleven banks, on the possibility of making further bond issue on the euromarkets, on disposals and cash-flow.

Aside from the change in the borrowing limit, shareholders also approved the cancellation of the share premium account, a scrip dividend scheme and gave the company the power to buy in up to 91m shares – just under 15 per cent of the total equity.

Of the 150-odd people at the meeting, only a couple of shareholders had questions. One said that he was delighted that the emphasis was switching away from printing shares, but felt that it was wrong that the company was switching into borrowings. Could it spell out the number of shares in issue and the gearing ratio more prominently?

"That's a good suggestion. I'll adopt it," said an accommodating Mr Maxwell.

On current trading, the chairman was ultra-bullish, if unspecific. "What can I say?" he questioned, before launching into a 20-minute address. "Things are going brilliantly."

Cape Inds rises 72% to £9.55m

By Graham Deller

Improved contract management and the the success of efforts to turnround previously loss-making group companies enabled Cape Industries to lift taxable profits by 72 per cent to £9.55m in the 12 months to end-March.

The building products and industrial services group achieved the profits growth on turnover some 14 per cent higher at £146.48m (£128.81m). Mr Jeffrey Herbert, chairman, said the current year had started well with healthy order books.

Development of new products and acquisition opportunities – heightened by the group's success in defending a High Court action bought by US asbestosis victims – was high on Cape's list of priorities, Mr Herbert added.

The provision for industrial disease compensation, again taken above the line, amounted to £1.25m (£1.45m). Mr Allan Petrie, finance director said the charge "certainly shouldn't rise" in future.

He said that the group's calcium silicate asbestos substitute operation, part of the building products division, had made "a good step foward". The Washington-based business had achieved further growth despite the lack of major contracts in the power generation sector.

The group should benefit as contracts in the sector moved away from a maintenance to a replacement basis, he added.

Cape'e building products operation lifted profits 23 per cent to £9.6m on turnover 14 per cent ahead at £68.48m. Performance was helped by the mild winter and the buoyant market conditions in the UK building sector, Mr Herbert said.

The marked improvement from Cape Contracts prompted more-than-doubled profits of £2.09m from the industrial services side. Turnover in the division expanded by 12 per cent to £79.03m.

Tax took £938,000 (£532,000), and after minorities of £22,000 (£51,000), left earnings of 17.7p (14.1p) per share.

A final dividend of 4p is proposed, for a total of 5.5p (3.5p).

GEI up 58% to £5.28m

A STRONG set of results have been announced by GEI International for the year to March 31 1988 and the directors of this specialist engineer said the level of orders at the year end were its highest ever.

The taxable figure rose 58 per cent from £3.35m to £5.28m on turnover of £81.9m (£63.98m).

A maintained final dividend of 3.91p is proposed, for an unchanged total of 5.85p. Net earnings came out at 9.5p (5.7p) per 20p share.

PML acquires Alan Lee

PML Group, which designs knitwear and sells clothes and ancillary products to the Japanese tourist trade, has acquired the Alan Lee Group for £2.25m. Initial consideration is £1.75m in cash plus 1.11m ordinary 5p PML shares.

Alan Lee's subsidiaries include designers and importers of women's fashionwear. An additional profit related payment may be made, to a maximum of £2.5m, and will be satisfied by the issue of loan notes.

UK COMPANY NEWS

INCREASE ACHIEVED DESPITE £5M IMPACT OF MARKET CRASH

Estate agents move Hambros up to £69.8m

BY DAVID LASCELLES, BANKING EDITOR

Hambros, the London financial services group, boosted pre-tax profits by 15 per cent in the year to March 31. The biggest part of the increase came from its 62 per cent stake in Hambro Countrywide, the estate agency company formed two years ago which is evolving into one of the most important segments of the group. But results were also hurt by the market crash in October.

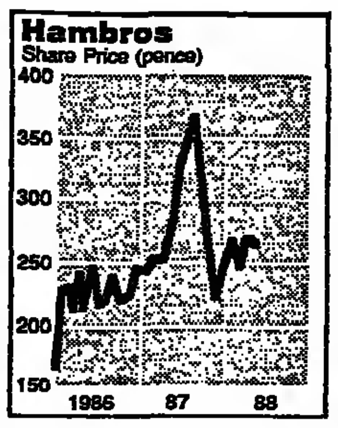
Pre-tax profits rose from £60.8m to £69.8m. Mr Charles Hambro, chairman, said the results "demonstrate that the group is continuing to progress despite the severe difficulties in financial markets. However, in our case the impact of the stock market was limited, highlighting the benefit of our broad spread of activities in banking and retail financial services."

Profits from the merchant banking business were £26.7m, up from £31.4m. Mr Chips Keswick, the director in charge of banking, said there were "no real flops" among the bank's nine streams of business. But the bank had done particularly well from its specialisation in Australian dollar bonds. The bank was also keeping its assets short term, and expected to be able to take advantage of the higher margins that were likely to result from the tightening of bank capital ratios.

Profits from non-banking activities rose from £35.9m to £46.3m. The main element was the estate agency with £25.3m (£13.2m). Mr Christopher Sporborg, the director in charge of non-banking activities, said the estate agency was "very buoyant," and Hambros had succeeded in increasing the proportion of estate agency clients who used its financial services to nearly 40 per cent.

The contribution from C.E. Heath, the insurance broker in which Hambros has a stake, fell from £7.4m to £3.6m. Bnt Mr Sporborg said Hambros still had "high hopes" of Heath and would take dividends in scrip.

Hambros suffered from the market crash in a number of ways. It took a £2.7m share of the losses of Strauss Turnbull, the stockbroking and Euromarket dealing bouse in which it held 30 per cent. It also lost £1m in the underwriting of BP sbares. Together with other lost business, Mr Sporborg estimated the total pre-tax impact at £5m.



After taxation and minority interests, Hambros earned £39.2m, np from £37m. This was equivalent to earnings per share of 24.9p (25.9p). The decline was due to new sbares issued to acquire estate agency businesses. Excluding Strauss, earnings were 26p per share, np from 25.2p.

As a result of the reorganisation of Strauss Turnbull Hambros' stake will fall to 17 per cent and this will be treated as an investment from now on. Mr Sporborg said that Hambros interest in Strauss, acquired at the time of the Big Bang in 1986, "was never part of our mainstream strategic thrust."

The Hambros group is cootinuing to develop links with Continental banks as part of its plan for a network of European ties. Sir Adam Ridley, a director, said there were "honeymoons" going on with potential partners in Greece, France, Belgium, Holland and Portugal, but be declined to identify them.

● comment

The initial scepticism about Hambros' rather oddball corporate strategy of expanding into the estate agency business at a time when its rivals were investing heavily in the securities business, has largely disappeared and the relative strength of the shares over the last year reflects a growing belief that the group's long-term strategy may be more sensibly based than that of most of its peers. That said, the full-year figures are mildly disappointing. Despite its efforts to distance itself from the securities indnstry, the crash cost about £5m, the relative contribution from corporate finance has almost halved, and a 3 per cent rise in earnings per share reflects the oot inconsiderable cost of buying highly priced estate agents with paper. This year the groop should be eble to earn about £80m, but a prospective multiple of a shade below 10 times earnings, when combined witb the modest dividend increase, means that the shares are unlikely to outperform the market, although they could still do well relative to the merchant bank sector.

Strauss Turnbull reorganisation, Page 27

Wellman profits nearly doubled to over £2.6m

Pre-tax profits were nearly doubled at Wellman in the year to March 31 1988 from £1.34m to £2.63m. Turnover was up 12 per cent from £36.98m to £41.26m.

Interest charges were sharply lower at £194,000 (£520,000) aided by the rights issue in September.

The directors of this engineering group, which experienced heavy losses up to 1985, said all operating companies, except the UK automotive business and the furnace division in the US, had met or exceeded expectations. It had been decided to withdraw from these furnace operations and this together with action to reduce costs, should improve the position in North America.

Group borrowings had been eliminated by strong positive cash flow and the rights issue. The directors propose to begin reducing the preference dividend arrears by paying a dividend of 32.12p per share. Earnings per 5p share were 8.06p (5.72p) basic and 6.1p (4.3p) fully diluted.

Caravan surge boosts Burndene

A strong contribution from its caravan manufacturing and park operating division belped Burndene Investments increase profits by 33 per cent in the 26 weeks to March 26 1988. The taxable figure of £1.66m compared with £1.25m previously and was scored on turnover up 31 per cent from £10.81m to £14.19m.

The interim dividend is raised to 2p (1.5p) on earnings per 5p share of 10.51p (8.18p).

Blick expands to over £2m in first six months

AN INCREASE of 18 per cent in taxable profits was reported at Blick, Swindon-based supplier of clocking-in equipment and radio pagers, where turnover rose 23 per cent to £9.2m for the half year to March 31 1988.

This gave rise to pre-tax profits of £2.14m (£1.82m), and earnings per 5p share were 7.56p (6.23p). Interest receivable of £119,000 (£133,000) continued to contribute to profits, although interest rates were lower than last year.

Mr Alan Elliot, chairman, said the board had decided to distribute a higher proportion of post-tax profits for the year and as a first step was paying an increased interim dividend of 2p (1.6p). The current level of trade was encouraging and be was confident of continued progress.

Reliance Security up 12%

IN ITS first full set of results since joining the USM Reliance Security Group has increased pre-tax profits by 12 per cent from £1.55m to £1.74m. Turnover in the year to April 5 advanced 28 per cent from £23.94m to £30.62m.

Mr Brian Kingham, chairman, said Reliance, which came to the USM last March, had achieved substantial geographical expansion and invested in new management information systems. He also announced the opening of an operations centre in Leeds and a commitment to developing the Scottish market by establishing a presence in Glasgow.

The success of specialist security services, particularly for the retail sector, had lead to the setting up of a new division.

A final dividend of 3.25p is proposed, bringing the total for the year to 4.75p per 5p share. Earnings came out at 10.9p (11.4p).

Sterling static at £0.8m

Sterling Industries, light engineer, revealed virtually unchanged pre-tax profits of £880,000 for the year to end-March, on turnover 5 per cent higher at £8.48m.

Tax took £305,000 against £307,000, leaving earnings per 2½p share of 5.11p (4.98p). The directors propose a final dividend of 2.4p – up from 2.2p last time – making 3.6p (3.1p) for the year.

There was an extraordinary debit of £290,000 (£123,000).

Growth continues at Amber

Amber Industrial Holdings continued the steady growth shown at the mid-way stage, and in the full year to end-March lifted pretax profits by 14 per cent from £1.07m to £1.22m.

The result was posted on turnover up from £9.18m to £10.06m. After tax of £481,000 (£386,000), earnings per 10p share rose to 28.3p, compared with 25.9p last time. The directors recommend a final dividend of 7.75p, making 11p (10p) for the year.

COMMODITIES AND AGRICULTURE

IPE votes down crude oil permits plan

By David Blackwell

THE INTERNATIONAL Petroleum Exchange's members yesterday voted against their board's proposal to issne special trading permits for the new crude oil contract being launched tomorrow.

But the vote would not be detrimental to the $1m launch, Mr Derek Whiting, chairman of the exchange, said after yesterday's extraordinary general meeting. "Members were seeking reassurances and explanation of what the board had in mind."

The board was propoeing to sell at £1,000 each 35 special trading permits for the crude contracts to non-members of the exchange in addition to permits given to the 35 exchange members. The permits would authorise the bolders to put one trader on the floor to deal only in crude oil.

Mr Whiting said members were keen to have full details of who could apply for the permits, how they would be vetted, and by what criteria they would be chosen. A further meeting to reconsider the issue was likely to take place in about three weeks.

He emphasised that members were "totally dedicated" to the crude oil contract – the second attempt at such a contract by the IPE.

Deborah Hargreaves on the grain trade's response to the record-breaking US heatwave

Soya hits 10-year peak as drought continues

SOYABEAN FUTURES prices on the Chicago Board of Trade soared to 10-year peaks yesterday as the drought in the Midwest continued to worsen.

Amid record temperatures that have topped 100 deg F (38 C) two days in a row, soyabean futures prices hroke through $10 a bushel for the first time since 1977.

The drought is also affecting grain transport on the Mississippi River, where the lowest water levels on record have stranded many barges.

After the grain market's dramatic opening on Monday, when all grain futures on the CBoT – except wheat – reached their daily price limits within minutes of the opening bell, the exchange expanded the limit on soyabean futures from 30 cents to 45 cents.

Very little trading was done on Monday as the markets stayed locked at their upper price limits all day.

In response to the increased volatility in the grain contracts, the CBoT also raised margin requirements yesterday for speculative traders. The initial margin for soyabean futures went up from $2,500 to $5,250 a contract. The maize margin was raised to $1,200 from $800 and wheat's to $1,400 from $900.

"This is history," ona trader commented yesterday, "people will be referring to this market for years to come." It is very rare for grain contracts to reach their price limits day after day.

While traders have focussed much attention on the soyabean market this year, following a substantial reduction in US stockpiles of heans, concern hao recently turned to maize (known as corn in the US) as farmers fear their crops will be harmed in the desiccating temperatures.

The cornbelt – atretching through Illinois and Iowa – is currently entering a critical stage when rain and lower temperatures are crucial to the development of the crop.

Within the next two weeks, the maize will shoot its tassle – the flower at the top of the plant that pollenates it. When temperatures remain above 90 degrees, as they have in past weeks, pollenation of the maize is likely to fail and the plant will be unable to develop an ear.

Already maize yields are expected to be 15 to 20 per cent below normal, according to Mr Garren Benson, agronomist at Iowa State University. Soyabeans are better able to withstand drought, but yield prospects are drooping with each sweltering day and both crops need above average rainfall for the rest of the summer.

One farmer, who grows maize and soyabeans in western Illinois, says he needs 1½ inches of rain a week for the next eight weeks in order to grow a decent crop.

Little rain is forecast for Illinois in the next ten days, however, and little relief is expected from the sizzling temperatures.

In response to fears for the crop the CBoT's maize futures remained locked at its upper price limit at the start of yesterday's trading. Stocks of maize have not run as low as those of soyabeans and the US Government still has some eight months supply in storage.

But maize exports are in danger of being held up by the falling level of the Mississippi River, which has dropped to a record 9 ft below normal at Memphis, Tenn. The river was closed yesterday for dredging to try to free some of the stranded barges.

The US exports some 33m bushels of maize through New Orleans during the summer. Some 50m bushels are currently in storage at the port and 30m hushels are *en route* down the Mississippi, hut supply could start to dry up as the river level continues to drop.

Kuala Lumpur palm oil prices mirror Chicago gains

BY WONG SULONG IN KUALA LUMPUR

PALM OIL prices in Malaysia have surged to a 5-month high, once again breaching the 1,200 ringgit (£260) a tonne level, on reports of drought damage to the US soyabean crop.

On the Kuala Lumpur Commodities Exchange crude palm oil futures for delivery in July, the prompt month, hit a high of 1,286 ringgit a tonne yesterday. Bnt the market succumbed to profit-taking and the July position closed with a net gain of 56 ringgit at 1,244 ringgit a tonne.

For the second day running the August, September, October and November positions all closed with 75 ringgit permissible limit gains. Traders said the market tone was very firm, with a total of 782 lots of 25 tonnes traded.

The KLCE palm oil market established its closing peak of 1,270 ringgit a tonne in January, following heavy buying by India to make up the edible oils shortfall caused by the 1986 drought. Floods in Malaysia were also influencing the market then.

Traders said prices in the coming weeks would depend very much on the extent of damage to the US soyebean crop. Confidence would also be boosted by reports that China is also experiencing a heat wave in its soya growing areas, and could be coming to the Malaysian palm oil market, they added.

If the US drought proved to be less damaging than expected, however, palm oil prices could fall back to around 1,000 ringgit a tonne, particularly in view of surging Malaysian output, forecast to hit 450,000 to 500,000 tonnes e month in the third quarter.

Traders noted that the Indian Government appeared to have slowed down purchases of Malaysian palm oil. India was reported to have bought 58,000 tonnes for June shipment and another 55,000 tonnes for July, hut its August purchases were believed to have reached only around 18,000 tonnes.

When prices breached the 1,200 ringgit mark in January, Mr Narain Tiwari, the Indian Finance Minister, warned Malaysia that India would switch to cheaper oils, and prices fell.

Palm oil prices have risen by more than 250 ringgit within the past month, and are now 60 per cent higher than a year ago.

EC seeks to break farm price deadlock

BY TIM DICKSON IN BRUSSELS

KEY TALKS are to be beld in Brussels today in an effort to break the deadlock over European Community farm prices for the current year.

EC officials and diplomats said yesterday that a meeting had been scheduled between the European Commission and the Greek farm delegation following Friday morning's dramatic veto by Athens of the "final" compromise package.

If a new deal can be reached this could pave the way for all 12 member states to ratify the package tomorrow during or after a meeting in Luxembourg of the EC Fisheries Council.

The 11th hour veto hy the Athens Government, just as other Farm Ministers were getting ready to oip celebratory champagne, came at the end of a week of hard negotiations marked mainly hy concessions on so-called green currencies – the artificial exchange rates at which EC oupport prices are translated into national currencies. Pressure on the Commission was consistently exerted by the Mediterranean countries hut as the serious talking got under way it looked as though the Italians and the Spanish would be hardest to please.

Mr Yannis Pottakis, the Greek Farm Minister, delivered a passionate plea in the final session for understanding on Greece's broad economic plight but nohody expected hio insistence on a devaluation of the Green drachma beyond the 10 per cent which had been offered immediately and the additional 4.5 per cent which was on the table from the start of next year.

He wants a hoost in farm incomes through a 24 per cent devaluation on plant products and 18.5 per cent on animal products.

Meeting informally in Wurzburg, West Germany, yesterday the other 11 member states agreed to accept the final package involving a broad price freeze, pending a settlement of the Greek problem.

This provided for a 3.2 percentage point devaluation in the green currency of Britain, 2.5 per cent for Italy, 1.5 for France, 1.55 for Ireland, 1 per cent for Denmark and 1 per cent for Spain (in the sheepmeat sector only) to come into effect at the start of 1989.

Other key points of the package were a 25 per cent cut in the special monthly payments (or increments) made to cereal producers, a last minnte weakening of the Commission's plans to tighten up the system of guaranteed beef purchases, the extension of national aid systems to wine growers to 1996, and last minute concessions to Italian sugar refiners and Greek tobacco producers.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,080-2,120 (2,100-2,160).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.30-5.50 (5.15-5.40).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 8.00-8.20 (7.90-8.05), sticks 8.00-8.20 (7.90-8.05).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.60-6.85 (6.60-6.95).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 323-333 (310-320).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.45-3.55 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.60-9.80 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 50-61 (52-61).

VANADIUM: European free market, min 98 per cent, VO, cif, 3.25-3.35 (3.20-3.30).

URANIUM: Nuexco exchange value, $ per lb, UO, 15.75 (same).

Nicholas Woodsworth on an ambitious rehabilitation project

Ghana sets course for a cocoa revival

WHEN COCOA farmers in a small village near Sunyani in western Ghana read recently that Ghanaian boxer Marvellous Nana Yaw Konadu was to have a crack at the World Boxing Council flyweight title this September, there was no doubting that these were a proud and patriotic people – cheers for Ghana's greater glory broke out all around.

But their patriotism quickly gave way to aggrieved self-interest on reading an article in the same edition of the People's Daily Graphic urging farmers to drop cocoa for non-traditional export crops, all for the good of the Ghanaian economy and people. Like many farmers in isolated western Ghana, they they are making a better-than-average living selling smuggled cocoa to the neighbouring Ivory Coast.

With government marketing board producer prices having risen in Ghana from 30,000 cedis a tonne in 1983 to 140,000 (£410) cedis today, cocoa smuggling is less of a problem than in the past. Bnt in the Ivory Coast cocoa farmers are currently being paid very nearly double that; so for many Ghanaian growers the temptation is too strong to resist.

A further rise of 25,000 cedis a tonne for the 1988-89 season was announced last week.

One great encouragement to smuggling is the fact that the road system in the western border areas – which include some of Ghana'e richest and most intensively-farmed cocoa producing lands – are hopelessly inadequate as collection and transportation routes.

The wealthier and better-developed Ivory Coast, however, has an excellent road system running along its border with Ghana; it is far easier for Ghanaian farmers to sell their produce to Lebanese and Ivorian traders who run their trucks over the border than it is for them to haul cocoa to distant and inaccessible Ghanaian produce-buying stations.

So sophisticated has the smuggling system become that some Ghanaian farmer's cocoa crops are pre-financed by Ivorian interests in a shadowy sort of local cocoa futures market. Allegations are also commonly mada that Ghanaian border security forces are involved in the illegal trade.

All this and more should change in the near future as Ghana's Cocoa Marketing Board (commonly known as Cocobod) begins implementing its ambitious Cocoa Rehabilitation Project, due to be launched next month.

The $120m (£67m) project is being co-funded at concessionary aid rates by the World Bank, the UK's Overseas Development Association, the African Development Bank and the Arab Bank for Economic Development in Africa (Badea). Together they will provide 75 per cent of the project's costs.

According to Mr Rajendra Sharma, World Bank senior economist, over half of the total amount will go to developing the western areas' road systems to ensure better access to and transportation from cocoa producing areas. In addition to upgrading long-neglected routes already built, 3,000 km of new feeder roads will be constructed.

Another major component of the five year project will be in research and extension work. With 1m hectares under cultivation and world prices plummeting, Ghana is not interested in putting more land under cocoa when it could be devoted to other foreign exchange-earning crops. It would, however, like to see increased yields to compensate for falling prices.

To this end new efforts will be made to improve the extension services that provide training, farm implements, insecticides, and fertilisers, as well as higher-yielding cocoa pod varieties.

The project is co-ordinated with Cocobod moves to put cocoa production on a more commercial footing. In the past the industry's importance as Ghana's biggest foreign currency earner had led to any easy acceptence of marketing board deficit financing policies. With profit margins severely squeezed, commercial considerations will now play a more important role.

Cocobod has already undergone a streamlining process in the last 3 years. In that period 30,000 employees, about 40 per cent of its total workforce, have been laid off. This has brought down costs and, says Mr Owusu, and made operations more efficient. It has also recently sold off 52 of its 92 state-owned plantations.

Other Cocobod policies will lead to further commercialisation. Under pressure from the World Bank, it has begun reducing the state subsidy on fertilisers, and allowed greater private sector involvement in the distribution of inputs. In the next three years subsidies on fertilisers, tools, herbicides and insecticides – which in some cases are subsidised up to 90 per cent of cost – will be phased out altogether. For the first time farmers will have to pay for new pods for planting.

Another important measure, adds Mr Owusu, includes a move away from providing farmers with credit facilities. In 1986 Cocobod introduced a credit system for the purchase of insecticides and spraying machines.

Cocobod now intends to drop all such programmes and encourage farmers to seek credit from commercial banks. Although Mr Owusu maintains that present banking laws reserving a portion of deposits to agricultural borrowers makes this feasible on a co-operative basis, lack of collateral among Ghana's 265,000 small cocoa farmers remains a major problem in the industry.

In the 1960s Ghana grew 500,000 tonnes of cocoa a year and was the world's leading cocoa producer. With the country's devastating economic slide in the 1970s the figure dropped as low as 159,000 tonnes. Production has risen since then, but because of poor rains this year Cocobod now predicts a maximum production of only 200,000 tonnes.

How much of this total will end up in the Ivory Coast is not certain, but quantities of smuggled cocoa are certain to diminish over time. With the new rehabilitation project the cocoa farmers of Western Ghana are going to lose in trans-border business. As a consolation, they do at least they have the hope of seeing Marvellous Nana Yaw Konadu win his title bout.

Canadian coal sales soar

By Robert Gibbens in Montreal

SURGING Japanese steel production and labour troubles in Australia are contributing to a dramatic gain in Western Canada coal exports.

The Coal Association of Canada says exports rose 43 per cent to 11.6m tonnes in the first four months, up from 8.1m tonnes a year earlier. Metallurgical coal led the way with a shipment of 10m tonnes, up from 7m tonnes.

The Association sees the global oversupply of coal easing, with the prospect of firmer prices.

Between 1982 and 1987 prices in Canadian dollars dropped 37 per cent and the industry has been forced to become more efficient.

At the same time steam coal output is rising quickly mainly because Ontario Hydro is now using western Canadian coal for 35 per cent of its needs and reducing its reliance on US coal.

Finland blocks whalemeat

BY OLLI VIRTANEN IN HELSINKI

FINLAND WILL interrupt a shipment of whale meat in transitto Japan and return it to Iceland. The move follows apublicity campaign by members of Greenpeace, theinternational environment movement, who discovered a total197 tonnes of frozen whale meat in the port of Helsinkion Monday and fastened themselves to the containers.

The Ministry of Environment determined yesterday thatimports of whale meat to Finland is in conflict with thecountry's legislation and international agreements.Consequently the lot will be returned to its country oforigin.

Greenpeace was satisfied with the prompt action tointerrupt transportation but not with the decision to returnit to Iceland. The organisation is worried that Icelandwill now look for other routes to ship the meat to Japan.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES touched new records on the LME yesterday on the pre-market following Japanese trade buying, option covering and short-covering. However, during the day prices retreated as the morning wave of short-covering subsided and some profit-taking developed. Cash standard-grade metal ended £62.50 down at £2,097.50 a tonne, while three-month metal closed at a record £1,738.50 – a rise of £33.50 a tonne. Copper prices advanced on general short-covering following a sharp rally on Comex. Traders said the market had become somewhat oversold after recent stale-bull liquidation sparked by the fall in premiums for cash metal. Nickel prices closed at the day's high, also on short-covering. The market is still underpinned by expectations of renewed stainless steel demand for the third quarter and concern over the outcome of negotiations at Falconbridge.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	[illegible]	[illegible]
Brent Blend	[illegible]	[illegible]
W.T.I. (1 pm est)	[illegible]	[illegible]
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	[illegible]	
Gas Oil (Soviet)	[illegible]	
Heavy Fuel Oil	[illegible]	
Naphtha	[illegible]	
Petroleum Argus Estimates		
Other		
Gold (per troy oz)	[illegible]	[illegible]
Silver (per troy oz)	[illegible]	[illegible]
Platinum (per troy oz)	[illegible]	[illegible]
Palladium (per troy oz)	[illegible]	[illegible]
Aluminium (free market)	[illegible]	[illegible]
Copper (US Producer)	[illegible]	[illegible]
Lead (US Producer)	[illegible]	
Nickel (free market)	[illegible]	[illegible]
Tin (European free market)	[illegible]	[illegible]
Tin (Kuala Lumpur market)	[illegible]	[illegible]
Tin (New York)	[illegible]	[illegible]
Zinc (Euro. Prod. Price)	[illegible]	
Zinc (US Prime Western)	[illegible]	
Cattle (live weight)	[illegible]	[illegible]
Sheep (dead weight)	[illegible]	[illegible]
Pigs (live weight)	[illegible]	[illegible]
London daily sugar (raw)	[illegible]	[illegible]
London daily sugar (white)	[illegible]	[illegible]
Tate and Lyle export price	[illegible]	[illegible]
Barley (English feed)	[illegible]	[illegible]
Maize (US No. 3 yellow)	[illegible]	
Wheat (US Dark Northern)	[illegible]	
Rubber (spot)	[illegible]	[illegible]
Rubber (July)	[illegible]	[illegible]
Rubber (Aug)	[illegible]	[illegible]
Rubber (KL RSS No 1 July)	[illegible]	[illegible]
Coconut oil (Philippines)	[illegible]	[illegible]
Palm Oil (Malaysian)	[illegible]	[illegible]
Copra (Philippines)	[illegible]	
Soyabeans (US)	[illegible]	
Cotton "A" index	[illegible]	[illegible]
Woottops (64s Super)	[illegible]	

£ a tonne unless otherwise stated. [illegible]

COCOA £/tonne

	Close	Previous	High/Low
Jly	880	879	882 875
Sep	902	901	903 891
Dec	922	910	925 913
Mar	946	942	949 941
May	964	960	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]

Turnover: 4587 (7374) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). [illegible]

COFFEE £/tonne

	Close	Previous	High/Low
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: [illegible]. ICO indicator prices (US cents per pound) [illegible]

SUGAR $ per tonne

Raw	Close	Previous	High/Low
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
White	**Close**	**Previous**	**High/Low**
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]

Turnover: [illegible] lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jly	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Barley	**Close**	**Previous**	**High/Low**
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	3775-85	3920-40		3920-30		
3 months	3180-70	3080-100		3185-95		5,749 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 35,650 tonne
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Grade A (£ per tonne)						Ring turnover [illegible] tonne
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]		[illegible]
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
Lead (£ per tonne)						Ring turnover [illegible] tonne
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						Ring turnover [illegible] tonne
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc (£ per tonne)						Ring turnover [illegible] tonne
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]		[illegible]

POTATOES £/tonne

	Close	Previous	High/Low
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

Turnover: [illegible] lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	

Turnover: [illegible] lots of 100 tonnes

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	
BFI	[illegible]	[illegible]	

Turnover: [illegible]

COTTON
Liverpool- Spot and shipment sales for the week ended June 17 amounted to [illegible] tonnes against [illegible] tonnes in the previous week. Moderate trading ensued with support from Russian, Israeli, Spanish, West African and Pakistani growths.

JUTE
[illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	[illegible]	[illegible]
Opening	[illegible]	[illegible]
Morning fix	[illegible]	[illegible]
Afternoon fix	[illegible]	[illegible]
Day's high	[illegible]	
Day's low	[illegible]	
Coins	**$ price**	**£ equivalent**
US Eagle	[illegible]	[illegible]
Maple leaf	[illegible]	[illegible]
Britannia	[illegible]	[illegible]
Krugerrand	[illegible]	[illegible]
1/2 Krug	[illegible]	[illegible]
1/4 Krug	[illegible]	[illegible]
Angel	[illegible]	[illegible]
1/10 Angel	[illegible]	[illegible]
New Sov.	[illegible]	[illegible]
Old Sov.	[illegible]	[illegible]
Noble Plat	[illegible]	[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	[illegible]	[illegible]
3 months	[illegible]	[illegible]
6 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls			Puts		
Strike price $ tonne	July	Sept	Oct	July	Sept	Oct
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aluminium (99.5%)	**Calls**			**Puts**		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper (Grade A)	**Calls**			**Puts**		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US MARKETS

THE PRECIOUS METALS rallied with a combination of local and commission house buying, but persistant trade selling prompted long-liquidation, easing prices towards the close, reports Drexel Burnham Lambert. Copper closed sharply higher following trade buying which touched off stops, forcing short-covering. Energy futures traded narrowly, with underlying trade and commission house support. Coffee, cocoa and sugar derived strength from trade and industry buying which prompted speculative short-covering. The grains were all sharply higher on continued concerns over the weather. Wheat eased in early trading on hedge pressure, but quickly found support. Profittaking was noticed, especially in the bean complex, but sharply higher overseas cash prices added to the limit move. Pork bellies rallied sharply as the market underwent a technical reaction to recent weakness, while hogs and cattle responded by firming late in the session.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	15.85	16.00	16.00	15.61
Aug	16.25	16.27	16.40	16.13
Sep	16.39	16.39	16.53	16.28
Oct	16.54	16.51	16.65	16.41
Nov	16.62	16.59	16.75	16.52
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]		
Sep	[illegible]	[illegible]		

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]		
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]		

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]		

INDICES

REUTERS (Base: September 18 1931 = 100)

June 20	June 17	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: December 31 1974 = 100)

Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	1046/4	1001/4	1046/4	1021/0
Aug	1049/0	1004/0	1049/0	1015/0
Sep	1035/4	995/4	1040/4	1005/0
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stays in narrow range

THE DOLLAR finished below its best level in currency markets yesterday, but showed little movement after a G7 communique, which issued a warning against excessive dollar fluctuations. Dealer's initial reactions suggested that the dollar would continue to trade within a relatively narrow range.

The US unit slipped against the D-Mark to DM1.7575 from DM1.7600, but was unchanged against the Swiss and French francs at SFr1.4625 and FFr5.9300 respectively. Against the yen it rose to Y126.45 from Y126.20. On Bank of England figures, the dollar's exchange rate index was unchanged at 94.4.

US consumer prices rose by 0.3 p.c. in May after a 0.4 p.c increase in April. However the underlying trend gave rise for concern, since the annualised increase for the first five months of the year, at 4.4 p.c., was already equal to the increase for the whole of 1987.

Sterling finished on a slightly firmer note, although the Bank of England did not signal a rise in base rates. Nevertheless cash rates continued to discount at least a half point rise, and this helped to underpin the pound.

Figures for first quarter UK GDP showed an increase of 0.7 p.c. to give a year-on-year rise of 4.0 p.c. This was down from a revised estimate for the fourth quarter of 1987 which showed an increase of 1.0 p.c., giving a year-on-year rise of 4.4 p.c. However the slowdown was not seen as signalling a decline in the underlying rate of overall production. This was highlighted by a 5 p.c. increase in construction - largely due to new housing.

Sterling rose to $1.7855 from $1.7845 against the dollar but slipped to DM3.1375 from DM3.1400 in terms of the D-Mark. It was higher against the yen at Y225.75 from Y225.25 and finished elsewhere at SFr2.6125 from SFr2.6100 and FFr10.5875 compared with FFr10.5850. Its exchange rate index closed at 76.5, up from 76.3 at the opening and 76.4 on Monday.

The D-Mark's overall performance was less than encouraging. It was weaker against the Swiss franc at SFr0.8320 from SFr0.8370 at the start, while the Japanese yen rose to a record high of DM1.3915 per Y100 from DM1.3910.

Despite the rise in the Bundesbank's repurchase rate, the differential between Euro-Swiss francs and Euro-marks was only marginally wider at ¾ p.c. in the D-Mark's favour. This was slightly better than the half point advantage last week, but still narrower than the 1¼ p.c. enjoyed just two months ago.

In addition, figures released yesterday showed that West Germany's long-term capital outflows (for investments with four years or more to maturity) rose to a record DM31.7bn in the first four months of this year, compared with DM19.9bn for the previous four months. At the same time foreign investment in West German bonds rose by just DM4bn compared with a DM27.3bn increase for the corresponding period in 1987.

The dollar was fixed at DM1.7576 against DM1.7539 on Monday and the Bundesbank sold a nominal $12m. The fixing level was below the morning's high, as the threat of further intervention by the West German central bank injected a note of caution. However in the absence of any support from other central banks, demand for the dollar seems likely to persist.

The French franc lost ground to the dollar, slipping to an eight month low in Paris, but it showed little change against the D-Mark, despite an increase in differentials created by the rise in West German rates. The Bank of France left its own intervention rate unchanged yesterday.

The D-Mark was fixed at FFr3.3729, unchanged from Monday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 21	% change from central rate	% change adjusted for divergence	Divergence limit %
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ IN NEW YORK

June 21	Latest	Previous Close
[illegible]	[illegible]	[illegible]

STERLING INDEX

	June 21	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

June 21	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

June 21	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

June 21	£	$
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

June 21	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

June 21	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices show mixed reaction

STERLING BASED contracts showed a mixed reaction to the Bank of England's decision not to signal a rise in base rates. Three-month sterling deposit futures opened on a steady note, but finished towards the day's high, while long gilt futures started firmer but fell away to end near the day's low.

Gilt stocks remained unsettled by concern that recent economic data contained inflationary undertones, and were consequently disappointed that the authorities did not appear to be acting visibly to contain any possible rise. The September price opened at 95-23, up from 95-19 and touched a high of 95-29 before slipping away to 95-19.

By contrast three-month sterling deposits improved during the afternoon as cash rates fell away. The contract started at 90.11, unchanged from Monday's close and moved up to a high of 90.30, before finishing at 90.29.

US Treasury bond futures improved steadily, after a fall in oil prices and a lower than expected rise in US consumer prices in May helped to allay concern about inflation. However the extent of the improvement was restricted by a further rise in commodity prices - as the drought in the US mid-west continues.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	543	562	5	16
92	352	419	14	37
94	211	250	37	104
96	61	143	123	161
98	21	62	247	316
100	7	35	433	453
102	3	17	629	635

Estimated volume total, Calls 982 Puts 1338
Previous day's open int. Calls 23381 Puts 27250

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
80	722	659	10	39
82	536	523	24	103
84	357	401	45	145
86	229	257	117	237
88	123	200	211	344
90	44	121	332	501
92	22	54	510	634

Estimated volume total, Calls 128 Puts 85
Previous day's open int. Calls 628 Puts 743

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1620	1736	0	6
17500	1120	1258	0	28
18000	620	834	0	94
18500	170	474	50	244
19000	7	233	387	503
19500	0	96	880	866
20000	0	33	1380	1353

Estimated volume total Calls 0 Puts 0
Previous day's open int. Calls 20 Puts 135

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements JUL	Calls-settlements AUG	Puts-settlements JUL	Puts-settlements AUG
165	1355	1355	0	3
170	855	855	3	25
175	387	437	49	119
180	99	169	261	351
185	11	45	673	727
190	0	8	1162	1190
195	0	1	1662	1683

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 663 Puts 25

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9100	99	82	3	25
9125	77	65	6	33
9150	57	51	11	44
9175	39	38	18	56
9200	24	27	28	70
9225	15	18	44	86
9250	7	13	61	106

Estimated volume total, Calls 0 Puts 210
Previous day's open int. Calls 1094 Puts 1473

LIFFE SHORT STERLING

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
8950	90	68	11	23
8975	71	71	17	31
9000	54	55	25	40
9025	39	42	35	52
9050	27	31	48	66
9075	10	22	64	82
9100	11	13	82	100

Estimated volume total, Calls 910 Puts 641
Previous day's open int. Calls 4702 Puts 5799

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Calls Dec	Puts Jul	Puts Aug	Puts Sep	Puts Dec
1.750	3.83	4.26	4.85	6.27	0.43	1.03	1.81	3.77
1.775	2.02	2.64	3.36	4.93	1.13	1.92	2.70	4.92
1.800	0.89	1.55	2.22	3.82	2.34	3.20	4.12	6.27
1.825	0.28	0.77	1.43	2.91	4.18	4.92	5.71	7.75
1.850	0.04	0.33	0.84	2.17	6.41	6.91	7.58	9.43
1.875	0.02	0.10	0.45	1.62	8.81	9.10	9.65	11.26
1.900	0.02	0.02	0.26	1.21	11.27	11.46	11.87	13.21

Previous day's open int: Calls 421,085 Puts 401,255
Previous day's volume: Calls 11,567 Puts 13,488

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Jul	Calls-settlements Aug	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Jul	Puts-settlements Aug	Puts-settlements Sep	Puts-settlements Dec
1.65	-	-	19.05	-	-	-	1.00	-
1.70	-	-	14.40	9.90	-	-	1.50	2.60
1.75	4.05	4.50	5.05	6.50	0.65	1.20	2.00	4.00
1.80	1.15	1.70	2.45	4.05	2.60	3.35	4.35	6.55
1.85	0.30	0.65	1.05	2.40	6.80	7.15	7.90	9.70
1.90	0.30	0.30	0.40	1.10	11.60	11.60	11.70	12.20
1.95	0.30	0.30	0.40	1.30	16.40	16.40	11.40	17.60

Estimated volume total, Calls NA Puts NA
Previous day's open int: Calls 457 Puts 165

LONDON (LIFFE)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Jun	119-19	120-01	119-21	119-22
Sep	95-19	95-29	95-16	95-19

Estimated Volume 18361(18801)
Previous day's open int. 35535(34841)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE MONTH EURODOLLAR
£1m points of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Jun	87-29	87-31	87-18	87-23
Sep	86-31	87-03	86-20	86-26
Dec	86-04	86-06	85-24	85-30
Mar	85-09	85-09	85-06	85-03
Jun	84-14	84-14	84-11	84-09
Sep	-	-	-	83-17
Dec	-	-	-	82-27
Mar	-	-	-	82-06

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev
Sep	0.7981	0.7985	0.7976	0.7986
Dec	0.8046	0.8050	0.8045	0.8051
Mar	0.8117		0.8117	0.8120
Jun	-	-	-	0.8190

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Vol	Last	Vol	Last	Vol	Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS : 30,132

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
[illegible]	[illegible]

MONEY MARKETS

Bundesbank acts

THE WEST German Bundesbank announced an increase in its sale and repurchase rate yesterday in Frankfurt to 3.50 p.c. from 3.25 p.c. There was no immediate effect either on domestic rates or the D-Mark, since the increase had been widely expected.

The new rate applies to a 28-day facility which will put funds into the market today, to offset an expiring agreement of DM9.6bn.

The decision to stick with a fixed rate tender system, rather than a variable rate auction was well received by traders. The last time the authorities allowed commercial banks to set the rate, the latter rose to 3.85 p.c., just before last October's fall in equities. By keeping to a fixed rate tender, the authorities are obviously keen to avoid a repetition of the pressure that built up ahead of the crash.

UK clearing bank base lending rate 8½ per cent from June 6

In London, money market rates lost ground in the absence of a signal from the Bank of England for higher base rates. Three-month interbank money rose initially to 9¾-9⅝ p.c. from 9⅝-9½ p.c. on Monday, but finished lower at 9⅛-9¼ p.c., still discounting at least a half point rise.

The authorities were obviously concerned that with sterling showing a slightly firmer overall trend, a further immediate rise in base rates could propel the pound back towards the DM3.20 level.

The Bank forecast a shortage of around £600m, with factors affecting the market including bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills draining £88m and Exchequer transactions £525m. In addition, banks brought forward balances £30m below target although these were partly offset by a fall in the note circulation of £40m.

The forecast was revised to a shortage of around £650m, and the Bank gave assistance in the morning of £583m through outright purchases of £1m of eligible bank bills in band 1 at 8⅞ p.c., and in band 2 £100m of eligible bank bills at 8¾-8⅞ p.c. In band 3 it bought £29m of Treasury bills at 8⅝ p.c. and £553m of eligible bank bills at 8⅝-8¾ p.c. The split dealing rates, once again, were indicative of discount houses' desire to part with long dated paper, and were not meant as a signal on base rates. There was no further assistance given in the afternoon. Overnight interbank money opened at 8¼ p.c. and eased to a low of 3 p.c., before coming back to finish at 7 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 21) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 7⅞	bid 7⅝	offer 8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

June 21	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

June 21	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

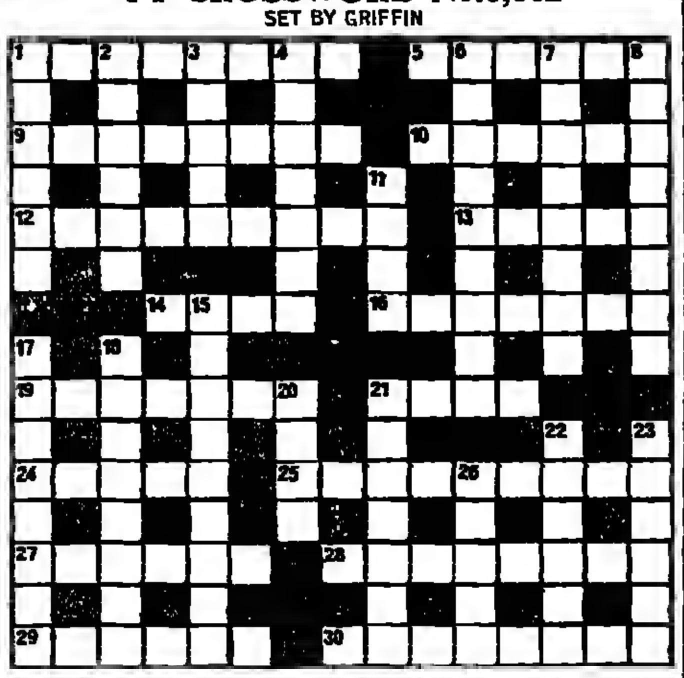
I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Jun 1480/1489 +17	Jun. 1859/1869 +21	Jun 2089/2101 -6
Sep. 1489/1497 +17	Sep. 1870/1880 +21	Sep 2095/2107 -6

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,662
SET BY GRIFFIN



ACROSS
1 Bird club talk (8)
5 Insist upon taking a lock back (6)
9 Keep sovereign as advance fee (8)
10 Give up rule around September 1st (6)
12 Poor Noel, confined to college, stretched out (9)
13 Idiot swallowing cress finally gets wind (5)
14 About fifty fish which people catch (4)
16 Lay in Earl's renovated copper (7)
19 An unfinished birthday cake is spotted (7)
21 Disposed of sun-dress first (4)
24 Article against shelter's outside exit (5)
25 Man holding a bell reproduced in plastic (9)
27 Mum gets home in time (6)
28 Editing form, inserting "student is industrious" (8)
29 Where rum had to be prepared (6)
30 Caught having a ruddy nap in it (8)

DOWN
1 Fighting back communist guard (6)
2 Choice of one in a hundred after work (6)
3 Stay near front of coach with Heather (5)
4 Prevented sweetheart entering a green front door (7)
6 Doubtful about engineer's revolutionary plastic (9)
7 Qualified priest upset big left-half (8)
8 Can cruet alter the flavour? (8)
11 Very large old coppers in scraps (4)
15 Band of yellow the car's ordered with (9)
17 Bungled final medical, getting aggravated (8)
18 Rest circulating round water filter (8)
20 Foolish name found around Minehead (4)
21 Going outside I join a colonist (7)
22 New job, etc, that's just the thing! (6)
23 Sitting children at the centre (6)
26 Exclusive French sleeping accommodation in central Greece (5)

Solution to Puzzle No.6,661

BEGGING LETTERS
MOCHA NUTS IN MAY
ALLERGY NUMERAL
MOTIF OFFENSIVE
BARRISTER SIDES
APOSTLE SCHOLAR
TAILORING UNITS
BLANK CARTRIDGE

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	62.1	66.1xd	-0.5	1.25
Australia	8.3	8.9	-0.5	0.10
Commodity	81.1	86.3	-0.8	1.04
Convertible	150.0	159.0	-0.7	5.50
Equity	144.2	153.5xd	-0.5	3.20
Euro Spec Sits	77.5	82.9	-0.1	1.32
Financial	31.2	33.2	-	1.39
Global Opps Inc	57.9	61.4	-0.4	-
Global Opps Acc	57.9	61.4	-0.4	-
Gold Income	55.6	59.2	-0.1	0.84
Gold Acc	102.3	108.9	-0.2	0.84
Income	106.9	113.8xd	-0.2	9.74
Japan	124.3	132.8	-1.2	0.10
Pacific Income	115.4	122.8	-0.2	0.66
Pacific Re Inv	143.5	152.7	-0.3	0.86
Preference Share	25.6	27.3	-0.1	6.69
Special Sits	100.0	106.4	-0.6	0.59
Technology	41.5	44.0	-0.5	0.10
DO Capital	89.9	95.7	-0.1	1.27
World Income	50.5	53.8	-0.3	5.27
Worldwide Capital	145.4	154.7	-0.3	1.16
Equity Exempt	111.0	118.1xd	-	1.54
Equity Exempt Acc	211.5	225.1	-1.1	1.54

Templeton Investment Mngmt
20 Copthall Avenue, EC2R 7PA 01-588 6064

Intl Pen & Ch'ties	89.9	95.4xd	-2.21	-

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.7	40.2	---	1.37
(Accum Units)	38.5	41.1	---	1.37
European Opps	41.7	44.5	-0.1	1.06
Far Eastern Opps	83.0	89.4	-0.0	0.45
(Accum Units)	84.1	89.7	-0.0	0.45
Golden Opps	35.8	38.2	-0.6	1.16
Intl Hi-Yield	43.3	46.2	-0.5	4.27
Japanese Opps	59.9	63.9	---	0.87
(Accum Units)	59.9	63.9	---	0.87
Kangaroo	32.2	34.3xd	-0.2	1.31
Oriental Income	28.8	30.7	-0.1	2.01
(Accum Units)	29.3	31.3	-0.1	2.01
Pacific Technology	52.3	55.8	-0.2	0.05
(Accum Units)	52.3	[illegible]	[illegible]	[illegible]

J. Rothschild Fund Managers Ltd – Contd.

INSURANCES

AA Friendly Society
Investment Mngt. M & G Inv Mngt Ltd

AA Friendly Sy Jan 10		139.4	---	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop Ser 1	235.0	247.4	-0.2	-
Equity Ser. 1	118.1	124.4	---	-
Prop Acc Ser 2	340.4	358.4	-0.5	-
Equity Ser 2	130.3	137.2	-0.3	-
Selective Acc	280.9	295.7	-0.1	-
Prop. Ser. 4	268.3	282.5	-0.2	-
Equity Ser 4	132.8	139.6	-0.2	-
Fixed Int. Ser 4	212.0	223.3	-0.1	-
Indexed Inv Ser. 4	120.9	127.4	-0.2	-
American Ser 9	253.3	266.7	-1.3	-
High Inc. Ser 4	374.1	393.8	-1.2	-
Japan Ser 4	279.5	294.3	-2.0	-
Man. Ser 9	370.5	390.1	-0.4	-
Money Ser 4	215.8	227.2	-0.2	-
European Ser 4	90.9	95.7	-0.3	-
Pension Funds				
Property	451.8	475.6	-0.6	-
Equity	943.0	993.5	+2.2	-
Selective	299.3	315.1	-0.2	-
Managed	673.7	709.2	-0.4	-
Security	395.1	415.9	-0.3	-
Fixed Int.	236.3	248.8	-	-
European	122.7	129.2	-0.5	-
American	205.9	216.0	-1.4	-
Japan	299.6	315.4	-2.6	-
Indexed	128.1	134.9	-0.1	-
International	142.6	150.2	-0.1	-
[illegible]	99.7	105.0	-0.1	-

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N. Waterloo, Liverpool 051-928 6655

Managed Fund	269 8	284 1	--	-
Man Pens Inc & Cap Fds	345 9	364.2		-
Money Fund	112 0	118 8		-
Pens Mngd Fd (Init)	88 2	92 9		-
Pens Mngd Fd (Acc)	100 9	106 3		-
Pens FT30 Fd (Init)	129.7	136.6		-
Pens FT30 Fd (Acc)	148 3	156 2		-
Pens O'seas MgFd(Init)	58 4	61.6		-
Pens O'seas MgFd(Acc)	66 8	70.4		-
Pens Fxd Int Fd (Init)	107 6	113.3		-
Pens Fxd Int Fd (Acc)	123 0	129 5		-
Pens Deposit Fd (Init)	101.4	106 8		-
Pens Deposit Fd (Acc)	115 9	122 0		-

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	92 0	97 0		-
Building Soc. Fd	161.0	170 0		-
Balanced	242 0	255 0		-
Deposit	160 0	169 0		-
European	125 8	133 0		-
GT Managed	151.0	159 0		-
Gartmore Mngd	100 0	106 0		-
German	89 0	98 0		-
Gilt	170 0	179 0		-
High Inc.	114 0	120 0		-
International Equity	153 0	162 0		-
Japan	221 0	233 0	-0.1	-
Managed	54 0	47 0		-
Property	256 0	270 0		-
R. W. Imperial Gold	134 0	142 0		-
UK Equity	319 0	336.0	-0 1	-
Pension Funds				
American	113 0	119 0		-
Building Soc Fd	152 0	160 0		-
Balanced	184 0	194 0		-
Deposit	150 0	158 0		-
European	122 0	129 0		-
GT Managed	160 0	169 0		-
Gartmore Mngd	98 0	104 0		-
German	85 0	90 0		-
Gilt	143 0	151 0		-
International Equity	111 0	117 0		-
Japan	132 0	124 0		-

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed Fd	437.6	460.7	-0 2	-
Equity Fd	880 F	927 1	-1 0	-
Intnl Fd	308.6	324 9	-2.3	-
Fixed Int Fd	366 4	385 0	-0.5	-
Prop Fd	325 2	342.4	-1.0	-
Cash Fd	237.5	250 0	....	-
Pacific Basin Fd	177 7	187 1	-2.2	-
North American Fd	124 7	131.3	-0.5	-
European Fd	125.8	132 5	-0.5	-
Holborn Balanced Gwth Fd	101 7	107.1	....	-
Holborn Strategic Gwth Fd	100.5	105.8	-0.1	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

Managed	474.9	502.0	-0.5	-
Equity	684 0	720 9	+1.1	-
Global Equity	197.5	207 7	-0 7	-
Fixed Interest	379 9	399 9	-0.5	-
Property	319.1	335.9		-
Cash	140 9	148.4		-
Index Linked Gilt	167.2	176 0		-
Guaranteed	8.31			-
International Money	185.9	195 7	-0.3	-
North American Fd	93 1	98 1	-0.5	-
Japanese Fund	124.6	131.2	-1 6	-
European Fund	68 4	72 0	-0.2	-
Special Situations Fd	97.2	108 4	-0 1	-
Communications Fund	84 4	88 9	-0.5	-
Smaller Cos Fund	98.3	103.5		-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry June 16	£128.67	132.34		-
Equity Fund June 16	£140 01	144.24		-
Intnl Fund June 16	£21.25	21 98		-
Intl Bond Fd June 16	£10 47	10 62		-
Fixed Int June 16	£69 12	70 04		-
Index Linked June 14	£52 87	53 53		-
Property Fund Jun 16	£86 44	91 51		-
Cash Fund June 16	£18.7015	18 7015		-
Pre-Linked Retirement Plan				
Managed Fd Jun 15	325.5	339.1		-
Cash Fund Jun 15	176 5	183 9		-

Prudential Pensions Investment Account

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

NatWest Special Reserve Account
41 Lothbury, London, EC2P 2BP 01-726 1000
£2,000 to £9,999 ... 7.25 | 5.50 | 7.33 | Qtr
£10,000 and above ... 7.50 | 5.75 | 7.67 | Qtr

Phillips & Drew Trust Ltd
170 Moorgate, London EC2M 6XP 01-628 9771
High Int Chq Acc ... 7.25 | 5.56 | 7.58 | Qtr

Provincial Bank PLC
30 Ashley Rd, Altrincham, Cheshire 061-928 9011
H.I.C.A (£1,000+) ... 8.00 | 6.14 | 8.42 | Mth

Royal Bank of Scotland plc
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201
Premium Account ... 7.25 | 5.56 | 7.10 | Qtr

Save & Prosper/Robert Fleming
28 Western Rd, Romford RM1 3LB 0708 766966
H I D.A. ... 6.97 | 5.35 | 7.33 | Daily

Tyndall & Co Ltd
29-33 Princess Victoria St, Bristol 0272 732241
Demand Acc ... 7.75 | 5.94 | 8.10 | Qtr
Money Acc ... 7.24 | 5.56 | 7.57 | Qtr
Client Plus Acc ... 7.25 | 5.56 | 7.57 | Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733
Special Acc ... 7.00 | 5.37 | 7.33 | Mthly
£10,000 and above ... 7.25 | 5.56 | 7.60 | Mthly

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 1SE 0752 224141
High Int Chq Acc ... 7.87 | 6.04 | 8.24 | Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485
High Int Cheque Acc ... 8.30 | 6.37 | 8.70 | Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's opening price. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ¶ Suspended. ♦ Yield before Jersey tax.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26½	21¼	Tenneco $5	25¼	+⅛	$3	–	6.5
28⅝	19⅝	Texaco $6.25	26¼	–⅛	$3	–	6.3
54	43¼	Time Inc. $1	53	+⅛	$1	–	1.0
20⅝	15¾	Transamerica $1	19¼		$1	–	5.2
10½	754p	Transworld Corp $5	994p	–18½		–	1.1
20¼	14½	TRINOVA Corp	16¼	–¼		–	1.8
19	15¼	USX $1	17	+⅛	$1	–	3.7
23	17⅝	Utd. Technologies	21½	–⅛	$1	–	4.1
31⅝	26⅛	US West	30⅞		$3	–	6.2
21¼	16⅜	Waste Management $1	20	–⅛		–	1.3
16¼	12⅝	Whirlpool $1	16¼	+⅛	$1	–	1.7
32	18¼	Woolworth $3½	28	–⅛	$1	–	3.1

CANADIANS

1988 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	A&M Gold Corp	186p	+1	–	–	–
32p	11p	Abbot Energy Corp.	24½p		–	–	–
14¼	990p	Amer. Barrick Res	13½		–	–	–
10p	3½p	American Lightwave	6p		–	–	–
47p	18½p	Armeno	21p		–	–	–
76p	45p	Augmitto Expln.	66½p	+½	–	–	–
12⅝	10⅝	Bk. Montreal 1	12⅝	+⅛	$2.00	–	7.0
635p	314p	Bk. Nova Scot.	635p		76c	–	5.3

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

27	18	Stats Hldgs 5p	18		–	–	–	46.0
4½	3	Sadlyard Studios 1p	3½	+½	–	–	–	18.5
262	200	Takare	235	–2	0.1 0	8.1	0.6	24.1
70	41	Theme Holdings	63		♦1.1	♦	2.3	♦
36	26	Tomorrows Leisure 20p	28		–	–	–	11.2
29	13½	Tollow Oil 10p	18		–	–	–	–
[illegible]	118	UPL Group 10p	120	+2	L2.41	♦	2.7	♦
148	120	Unit Group	144	+2	5.0	♦	4.8	♦
[illegible]	85	Video Tape Record 5p	95	+3	L2.3	2.3	3.2	13.7

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- "Tap Stock"
- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- Interim since increased or resumed
- Interim since reduced, passed or deferred
- Tax-free to non-residents on application
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Dealt in under Rule 535(3).
- Price at time of suspension
- Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- Merger bid or reorganisation in progress
- Not comparable
- Same interim; reduced final and/or reduced earnings indicated
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- No par value

B.Fr. Belgian Francs. Fr. French Francs. Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	70	.....
Craig & Rose £1 γ	688xd	.....
Finlay Pkg. 5p γ	80	.....
Holt (Jos) 25p γ	£11½	.....

IRISH

Nat. 9¾ % 84/89	£100¾	.....
9pc Cap Ln. 1996	£98½	.....
Fin. 13% 97/02	£119	.....

Arnotts γ	380	+5
CPI Hldgs. γ	136	.....
Carrol Inds. γ	148xd	–2
Hall (R. & H.)	165	–4
Heiton Hldgs. γ	51	+3
Irish Ropes γ	165	.....
Unidare γ	410	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowaters	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons.	38
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	13
Nat West Bk	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	22
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	38
Land Securities	52
MEPC	52
Peachey	50

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	48
Premier	1½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Equities rebound sharply in absence of base rate rise but Gilts still nervous

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

THE UK equity sector staged a successful if somewhat technical rally yesterday after the Bank of England appeared to grant a temporary reprieve from an increase in UK base rates currently threatening domestic securities markets. Turnover was thin, however, and gains were mostly restricted to blue chip export stocks.

Share prices advanced sharply at mid-morning after the Bank kept its money market dealing rates unchanged following the increase in repurchase rates by the Bundesbank.

Although the City remains convinced that UK bank base rates will be pushed up by another half point as soon as sterling allows, equities gained 16 points, again moving comfortably above the FT-SE 1850 mark, seen by chartists as a significant hurdle. Sentiment was helped towards the end of the session by Wall Street'e initial firmness.

At the close, the FT-SE 100 Index was 16.1 up at 1860.1, helped along by gains in Unilever, Glaxo and ICI. Bot the market spent much of the day yawning with boredom, and Seaq turnover of 380.2m shares leaned heavily on a few sectors.

Beneath the general lethargy, there were some signs of optimism in the markeplace. Equities opened firmly despite the overnight weakness in Tokyo and New York. "Monday's reasonably good money supply figures (for May) were working through", commented John Whitehead of Robert Fleming Securities. "And US data on earnings and prices for May suggested reasonably acceptable inflation trends".

While a hike in domestic base rates seems inevitable, its effects may have been discounted in the market, added Mr Whitehead.

Food shares saw some interest, as speculators continued to look for a move oo Cadbury Schweppes either by General Cinema or Jacobs Sncbard. The reverberations of General Accident's purchase of 51 per cent of NZI, the New Zealand financial services group, cootinued to resound through the composite insurance sector.

Governmeot boods opened briskly, moving up by ¼ point as Loodon money market rates turned back from their morning peaks. Trading was very thin, however, and towards the close the bond sector divided itself again, with long dates turning easier while shorts edged higher. The longs ended a net ⅛ off, and the shorts ¼ firmer.

"It seems clear that the Bank of England is monitoring rates very closely", observed a US bank trader, "and may decide to raise rates as soon as sterling turns easier".

Index-linked stocks added ⅛ or so in very light trade.

Dee Corporation became enmeshed in revived speculation over the 15 per cent shareholding held by A B Foods. The latter will shortly be released from an undertaking given oearly two years ago not to dispose of the Dee shares, acquired through the sale of Finefare, to a single buyer.

Stories resurfaced of a possible bid from a predator with break-up intentions and in busy trading shares of Dee rose 8 to 194p. Barker & Dobsoo staged an andacious and unsoccessful attempt at the turn of the year to take over Dee Corporation.

Ocean Transport moved up on the hope that New Zealand entrepreneur Sir Ron Brierley might renew his bid for the UK freight forwarding and marine services specialist. This assumption was based on Brierley's sale of his NZI stake to General Accident on Monday, and the belief thet he would nse the cash to make another move for Ocean Transport.

Brierley last attempted a takeover in October 1986, and currently holds 27 per cent of Ocean Transport, which closed yesterday up 19 at 284p.

Scottish & Newcastle were again dominant of the two stocks currently highlighting the Brewery sector and benefited further from Monday's announcemeot that Elders IXL had increased its stake to 8.9 per cent and the shares gained 7 to 345p. Marketmakers are expecting further developments and ooe commented, "no-one wants to be short of this stock". Turnover was an impressive 5.3m shares.

Allied Lyons rose, partly in sympathy, partly because dealers see the company as a potential bid-target in its own right. Persistent buying sent the shares up 5 more to 439p, wbere they still found support lifting turnover in 5.4m.

Commercial Union, one of the UK's biggest composite insurers, tonched 404p before closing unchanged at 400p with turnover in the stock reported at 5.1m.

Hard on the heels of Monday's news that Adsteam sobsidiary GA Duncan has upped its stake in CU to over 8 per cent, dealers reported further aggressive buying of the stock and there were suggestions that another – separate – buyer had picked up a near one per cent stake in CU yesterday. One block of 1.5m shares was traded at 400p and another of 550,000 at 403p.

Royal Insurance, wbere Adsteam holds a disclosable stake, jumped 7 to 424p after rumours of a fresh burst of European buying swept through the market; there has been considerable speculation recently that Frencb insurance company Group Victoire is aboot to announce a tie-up with Royals.

International stocks traded very quietly in the first half of the session, but the better opening on Wall Street was the signal for a small flurry of activity as marketmakers pegged their prices higher. Glaxo rose 13 to 959p in volume of just 1.2m shares, while Beecham saw double thet volume and put on 7 to 465p. ICI managed a rise of 11 to 1050p. A good measure of the wider market's uncertainty was provided by the turnover of one of its bellwether stocks - only 376,000 ICI shares changed hands.

By cootrast, Hanson saw its usual brisk turnover - 15m shares were traded as the price edged higher to 140p, a gain of 2 on the day. **London International Group** confirmed the disposal of its Royal Worcester Spode subsidiary and rose 9 to 275p. Wellcome put on 3 to 540p in thin trading as investors stood back to consider *its merits. A note from County* NatWest WoodMac downgraded the company from a buy to a hold, but stressed that the long term outlook remains positive.

Unilever added 16 to 475p in what dealers described as good two-way trade. A hesitant opening was left behind wben an npbeat presentation to brokers lifted seotiment, and Wall Street's mood confirmed the rise.

British Gas remained the outstanding performer in the oil and gas sector with the latest flurry of buying interest boosting the stock 4 more to 192p on turnover of 8.7m. Marketmakers reported sustained buying from many of the leading securities houses.

The oil majors took heart from the slightly firmer trend in international oil prices. American bnying lifted Shell while BP edged up 3 to 265p on turnover of 3.4m shares. BP new settled a fractioo better at 66½p after 67¼p, after turnover of 2.3m.

Dealers reported persistent but generally modest demand which uncovered a stock shortage in the clearing banks. Turnover in the sector was again at a low level, but there was sufficient interest to boost **Midland** 6 to 434p, Barclays 5 to 413p and **NatWest** 4 to 567p.

Life assurances continued to suffer from profit-taking in the absence of any of the much rumoured takeover bids in the sector. In dwindling turnover Abbey lost a couple of pence to 322p, and **Legal & General** 3 to 297p.

Numerous "switch" recommendations affected composites where Guardian Royal Exchange advanced 13 to 940p, after 942p. Traders also mentioned takeover speculation in GRE.

News that the EC will not impose VAT on private housing gave a major boost to housebuilders. Gains ranging from 4 to 8 were common to George Wimpey, 253p, Countryside, 313p, Barratt, 188p, **Crest Nicholson**, 223p, and **Federated Housing**, 298p. Elsewhere, a BZW "buy" recommendation lifted *Ibstock Johnsen* 5 to 173p. Talk of a broker's visit to the company's operations triggered persistent buying of **Wilson Bowden**, 13 higher at 247p.

Storehouse was the main feature of a quiet Stores sector, rising 5 in the morning on rumours that HongKong Wharf would announce a bid for Sir Terence Conran's empire at a hastily arranged meeting in Hong Kong. In the event sucb talk proved groundless but the momentum was maintained as store shares in general firmed in the afternoon and Storehouse closed up 6 at 273p on turnover of 4.3m.

Other features were Woolworths, 5 harder to 291p on very thin volume (343,000), Dixons 4 better at 182p, and Burton, up 6 to 234p. The latter, according to dealers, remain a good buy being relatively cheap against the sector.

Dealers spoke of a substantial traded options business in Amstrad – mainly in calls – and the underlying shares moved up smartly on turnover of 2.3m to close a net 6 higher at 205p.

There was sizeable buying interest in Ferranti late in the session and the shares were eventually 2 firmer at 84½p after turnover of 3.8m. Plessey picked up 4½ to 162½p after talk that the company may again be a target for GEC; the latter advanced 3 to 156p on turnover of 6.3m as brokers emphasisedthe company's defensive qualities.

Cable & Wireless put on 8 to 375p on turnover of 2.1m shares; forecasts of the group's preliminary profits scheduled for today range *from* around £345m *to* £360m. BZW refuted suggestions that they were buyers of the stock on Monday.

Rumours that Williams Holdings are building a stake in RHP boosted the latter 6 to 204p.

Many Engineering issues made steady progress including sector leaders **GKN**, 5 up at 324p, and **Hawker Siddeley**, 7 higher at 509p. **Simon** bounded 9 to 279p and **Glynwed**, following a recent visit by analysts, advanced 10 to 323p. **Wheway** spurted to the highest level this year of 95p while **Staveley** jumped 8 to 160p. **Weir** improved to 233p after commeot on the acquisition from NEI, whicb strengtbens the group's position as Britain's leading pump manufacturer. Powerscreen International were a rare weak counter, falling 18 to 96p on annual profits well below market estimates, and the dismal trading performance of the British Benzol division.

Annual profits towards the lower end of anlaysts' estimates disappointed followers of Argyll group and the close was 4 easier at 191p, but increased half-year results put **Watson & Philip** up 7 to 228p and press commeot helped **William Low** improve 7 to 654p.

Leisures presented several good features with **Marina Developments** np 60 at 355p on rumours of a bid, despite the directors saying they knew of no reason for the sudden upsurge in the share price.

The long-awaited but much-predicted news from the EC that property developers would have to pay VAT on new buildings was brushed aside by an unruffled property sector and there were no major fallers.

Stocks that had eased slightly on fears that VAT could damage their profit margins quickly firmed once the news from the Hague came through. A case in point was Rosehaugh, which rose 13 to 775p once dealers realised that margins on its big developments at Kings Cross, Holborn Viaduct and Royal Albert Dock were wide enough for the new tax to be absorbed relatively painlessly.

Priest Marians was another mover, closing 13 up at 385p after the market responded well to the news that chairman Mr Simon Fussell had increased his stake in the company. This time he acquired 80,000 shares at 373p each to push his total interest in Priest Marians to over 4.3m shares.

Reed International, in which Rupert Murdoch holds a 2½ per cent stake, were another target for speculative buyers and rose to 414p before easing back to end 11 higher on balance at 411p.

First-time dealings in the new Saatchi & Saatchi Finance 6¾ per cent convertible preference ended with the nil-paid shares at 3p premium.

Elsewhere, **BET** enjoyed a late rally to close 4 down at 243p, after 239p at one stage. The market was still absorbing Monday's figures and turnover reached 3.6m shares. **Hestair** lost 8 to 298p after it announced the $12.9m acquisition of baby-buggy manufacturer Andrews Maclaren, while **Tomkins** released details of a merger agreement with US bicycle and lawnmower specialist Murray Ohio and saw its shares drop 2 to 234p. If the merger goes ahead, Tomkins needs the support of an £82m rights issue.

Rank Organisation was well supported and the shares rose 6 to 733p. Office and Electronic Machines failed to impress dealers with its figures and the shares gave up 20 to 125p. Cape Industries fared better with its results and firmed 3 to 152p.

Business picked up in the Traded Options Market, with a total of 37,761 contracts traded during the day, of which 24,624 were calls and 13,137 puts. However, business in FTSE stocks was slow, with only 1,359 calls and 2,499 puts traded. Once again, British Gas proved the most popular stock, notching up 6,589 calls and 4,492 puts, while Racal came a distant second with 1,588 calls and 917 puts.

Traditional Options

- ● First dealings June 13
- ● Last dealings June 24
- ● Last declarations Sept 15
- ● For Settlement Sept 24

For rate indications see end of London Share Service

Call options were transacted in BP new, Cowan de Groot, Virgin, Unitech, London Securities, Cityvision, Scottish & Newcastle, Norfolk Capital, Howard Holdings, Tex Holdings, Aberfoyle, Amstrad, North Kalgurli & Thompson T-Line. Put were taken out in Blenheim Exhibitions and S.Miller while a double was recorded in INOCO.

FINANCIAL TIMES STOCK INDICES

	June 21	June 20	June 17	June 16	June 15	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.10	89.06	89.35	89.85	90.24	90.55	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.13	98.11	98.38	98.48	98.36	97.91	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1481.6	1468.7	1472.6	1481.6	1485.6	1751.5	1485.6 (15/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	215.9	218.7	215.5	221.2	221.0	364.1	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.50	4.53	4.52	4.49	4.45	3.26				
Earnings Yld. %(full)	11.55	11.63	11.58	11.52	11.42	7.87				
P/E Ratio (net)(*)	10.56	10.48	10.53	10.58	10.68	15.64				
SEAQ Bargains (5pm)	21,760	21,247	30,657	28,026	30,017	41,368				
Equity Turnover (£m)	-	720.80	1137.64	1187.29	1589.48	1589.42				
Equity Bargains	-	24,942	30,657	30,442	31,143	54,124				
Shares Traded (ml)	-	327.3	531.1	517.3	533.0	598.9				

S.E ACTIVITY

Indices	June 20	June 17
Gilt Edged Bargains	107.4	120.6
Equity Bargains	161.6	215.0
Equity Value	1456.9	2299.5
5-Day average		
Gilt Edged Bargains	117.1	115.5
Equity Bargains	189.4	197.6
Equity Value	2304.3	2540.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
-	1472.6	1473.1	1475.7	1475.9	1477.9	1479.0	1480.5

Day's High 1482.7 Day's low 1470.1

Basis 100 Govt. Secs 13/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.45.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (111).

BRITISH FUNDS (3) AMERICANS (2) CANADIANS (4) BREWERS (8) BUILDINGS (10) CHEMICALS (2) STORES (2) ELECTRICALS (8) ENGINEERING (8) FOODS (3) INDUSTRIALS (16) INSURANCE (1) LEISURE (5) MOTORS (1) NEWSPAPERS (1) PAPERS (2) PROPERTY (10) TEXTILES (1) TRUSTS (9) OILS (3) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (7) THIRD MARKET (4).

NEW LOWS (14).

BRITISH FUNDS (1) Exch. 3pc Gas 90-95. BUILDINGS (1) McAlpine (Alfred). STORES (1) Usher (Frank). ELECTRICALS (3) Cranbrook Elect., Perkom, Questel. INDUSTRIALS (4) Harold Whiting, Macarthy, Monks & Crane, Tomkins 5.8pc Cm. Cv. Rd. Pf. LEISURE (1) Trillion. PROPERTY (1) Ewart. SHOES (1) Pittard Garnar. TEXTILES (1) Haggas (John).

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	254	General Accident	601	Prudential	1,700
Allied-Lyons	5,400	General Elect.	6,300	Racal	3,200
Amstrad	2,300	Glaxo	1,200	Rank Org.	530
Argyll Group	4,700	Globe Investment	240	RMC	224
Assoc. Brit. Foods	239	Granada	266	RHM	425
BAA	1,200	Grand Met	2,300	Reckitt & Colman	212
BAT	1,200	GUS "A"	59	Redland	607
BET	3,400	Guardian R.E.	716	Reed Intl.	2,200
BICC	209	GKN	582	Reuters "B"	265
BOC	384	Guinness	263	RTZ	809
BPB Inds	599	Hammerson	83	Rolls-Royce	1,200
BTR	2,300	Hanson	15,000	Rothmans "B"	80
Barclays	588	Hawker Siddeley	728	Rowntree	229
Bass	438	Hillsdown Holdings	781	Ryl Bank Scotland	277
Beecham	2,400	IMI	1,500	Royal Insurance	617
Blue Arrow	906	ICI	376	STC	340
Blue Circle	305	Inchcape	490	Saatchi & Saatchi	451
Boots	1,600	Jaguar	451	Sainsbury	692
Brit. Airways	3,500	Ladbroke	324	Scott & Newcastle	5,300
Brit. Aerospace	974	Land Securities	282	Sears	828
Brit. & Comm.	796	Laporte	41	Shell Transport	1,200
British Gas	8,700	Legal & General	325	Smith & Nephew	2,400
BP	3,300	Lloyds Bank	575	Standard Chartered	216
Brit. Telecom	1,400	LASMO	1,800	Storehouse	4,200
Burmah Oil	931	Lonrho	687	Sun Alliance	41
Burton	2,700	Lucas	155	T & N	308
Cable & Wireless	2,100	MEPC	68	TSB	1,700
Cadbury Schweppes	3,400	Marks & Spencer	1,600	Tarmac	938
Coats Viyella	866	Maxwell Comm.	427	Tesco	3,400
Commercial Union	5,200	Metal Box	1,700	THORN EMI	207
Cons. Gold	642	Midland Bank	665	Trafalgar House	415
Cookson	321	NatWest Bank	875	Trusthouse Forte	865
Courtaulds	1,100	Next	1,200	Ultramar	1,200
Dalgety	325	Northern Foods	52	Unilever	2,600
Dee Corporation	3,000	Pearson	50	United Biscuits	709
Dixons	381	Pearl Group	140	Wellcome	571
English China Clays	212	P & O	199	Whitbread "A"	1,000
Enterprise Oil	439	Pilkington	2,900	Williams Holdings	501
FKI Babcock	1,500	Plessey	2,000	Wimpey	1,100
Fisons	1,400			Woolworth	343

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	67	23	23
Corporations, Dominion and Foreign Bonds	14	1	38
Industrials	452	302	810
Financial and Properties	141	132	377
Oils	22	27	55
Plantations	2	0	11
Mines	32	55	104
Others	77	71	122
Totals	807	611	1,544

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tuesday June 21 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Jun 20 Index No.	Fri Jun 17 Index No.	Thu Jun 16 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	784.38	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (29)	1006.71	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (35)	1591.92	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	2096.52	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (31)	1694.77	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (56)	402.91	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (8)	479.98	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (13)	276.53	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (24)	1196.97	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (187)	1096.15	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (21)	1132.87	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (23)	982.55	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (16)	2033.40	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household (12)	1856.30	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (30)	1345.35	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Packaging & Paper (17)	509.98	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Publishing & Printing (17)	3423.06	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (34)	818.29	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	598.26	+2.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (92)	980.36	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Agencies (19)	1180.53	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (20)	1068.08	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Conglomerates (13)	1218.43	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (12)	1918.14	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	983.23	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (26)	1218.19	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	972.77	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (13)	1681.96	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	1049.56	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (122)	708.54	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (8)	672.95	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (8)	1025.26	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	580.17	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (7)	1152.03	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (11)	367.94	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	1241.58	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (30)	385.56	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (78)	898.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	545.93	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (8)	1138.47	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (710)	960.57	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Jun 20	Jun 17	Jun 16	Jun 15	Jun 14	Year ago
FT-SE 100 SHARE INDEX ♦	1860.1	+16.1	1860.2	1843.3	1844.8	1860.1	1861.9	1849.3	1866.2	2265.5

FIXED INTEREST

PRICE INDICES	Tue Jun 21	Day's change %	Mon Jun 20	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	122.23	+0.11	122.10	-	8.51
2 5-15 years	138.55	+0.05	138.59	0.10	7.09
3 Over 15 years	148.26	+0.02	148.23	-	6.82
4 Irredeemables	165.05	+0.02	165.01	-	6.31
5 All stocks	135.77	+0.06	135.74	0.05	6.55
Index-Linked					
6 5 years	127.54	-0.05	127.62	-	3.12
7 Over 5 years	121.27	+0.07	121.19	-	1.72
8 All stocks	121.60	+0.06	121.53	-	1.67
9 Debentures & Loans	118.73	+0.04	118.68	-	5.94
10 Preference	93.46	-	93.46	-	3.31

AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 21	Mon Jun 20	Year ago (approx.)
British Government				
1 Low	5 years	9.02	9.04	8.08
2 Coupons	15 years	9.28	9.29	8.98
3	25 years	9.10	9.10	9.00
4 Medium	5 years	9.49	9.52	8.98
5 Coupons	15 years	9.49	9.49	9.21
6	25 years	9.31	9.31	9.27
7 High	5 years	9.57	9.59	9.32
8 Coupons	15 years	9.63	9.63	9.34
9	25 years	9.37	9.37	9.32
10 Irredeemables		9.21	9.23	8.96
Index-Linked				
11 Inflation rate 5%	5yrs	2.66	2.64	2.49
12 Inflation rate 5%	Over 5 yrs	3.80	3.80	3.73
13 Inflation rate 10%	5yrs	1.62	1.59	2.14
14 Inflation rate 10%	Over 5 yrs	3.62	3.63	3.66
15 Debs &	5 years	10.32	10.31	9.86
16 Loans	15 years	10.70	10.70	10.15
17	25 years	10.73	10.74	10.25
18 Preference		9.59	9.59	10.17

♦Opening index 1841.3; 10 am 1847.5; 11 am 1849.5; Noon 1851.8; 1 pm 1852.1; 2 pm 1855.8; 3 pm 1857.6; 3.30 pm 1859.0; 4 pm 1858.7

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

CONSTITUENT CHANGES: Watmoughs (Holdings) (32) has been inserted. Stanley (A.G.) Holdings (34) and Crescent Japan Tst. (71) have been deleted.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*440)	390	55	67	73	2	6	10
	420	28	42	53	7	13	20
	460	6	22	32	27	33	40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
LASMO (*454)	390	77	90	100	5	12	22
	420	48	65	82	13	25	34
	460	25	47	59	30	50	53
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 21 Total Contracts 37,761 Calls 24,624 Puts 13,137
FT-SE Index Calls 1359 Puts 2491
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | JAPAN | HONG KONG | SINGAPORE

[illegible]

CANADA

TORONTO

2pm Prices June 21

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices June 21

Continued from page 43

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Aberdeen Stk. Hse.	95	+	9
Amstrad	205	+	9
Capital Radio	295	+	17
Cityvision	80	+	12
Crest Nicholson	223	+	9
DRG	428	+	8
Dee Corpn.	194	+	8
Glynwed Intl.	329	+	18
GRE	940	+	15
Ibstock Johnsen	179	+	5
Marina Dev. Group	355	+	80
Midland Bank	434	+	9
Ocean Transport	284	+	19
Rosehaugh	775	+	13
Royal Insce.	424	+	7
Simon Eng.	279	+	9
Storehouse	273	+	6
Virgin Group	92	+	5
Whewey	86	+	7
Wilson Bowden	247	+	13
Wimpey (George)	253	+	8
Woolworth	291	+	5

FALLS

Courtaulds	337	−	5
Powerscreen Intl.	96	−	18

TOKYO - Most Active Stocks

Tuesday, 21 June, 1988

	Stocks Traded	Closing Prices	Change on day
Nisshin Steel	61.69m	950	+70
Kawasaki Steel	60.23m	577	+1
Nippon Steel	57.30m	554	-7
NKK	51.43m	545	+5
Sumitomo Metal	49.33m	514	+2
Mitsubishi Heavy Ind	26.49m	830	-6
Kobe Steel	22.36m	497	-3
Japan Steel Works	22.06m	647	+14
Ube Ind	21.97m	607	+13
Toray	20.27m	966	+5

2pm Prices June 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
26	14	AAR s	.58	1.5	20	149	25	24⅞	24⅞	– ⅛
12⅛	8¾	ACMIn	n1.18e	10.		493	11⅝	11⅝	11⅝	
12⅛	10⅞	ACMSc	n1.20	11.		385	11⅛	11¼	11¼	
10⅛	9¾	ACMSp n				968	6⅞	8⅛	8⅛	
27⅞	10½	AGS			28	2896	25⅝	25½	25⅝	– ⅛
7⅞	2⅛	AMCA				6	6⅞	3⅞	3⅞	
8⅝	3¾	AM Intl				2187	3⅝	3½	6⅝	
29¾	17	AM Int pf	2	11.		10	18½	18½	18½	
66½	26¾	AMR			11	1066	47	46⅛	46¼	– ⅛
11⅛	6¾	ARX			11	60	6⅝	8¾	8½	
72⅞	40¼	ASA	6	8.7		291	44⅞	44⅛	44⅞	+ ⅛
22⅞	9½	AVX			23	541	17⅞	17⅛	17⅛	
36⅛	40	AbtLab	1.20	2.7	10	3106	40	46⅞	44	– ⅛
20	16⅛	Abitibi g	1			21	16⅞	18⅛	18⅞	+ ½
18¾	8½	AcmeC	.40	3.5		1	11½	11½	11½	– ⅛
18½	6⅛	AcmeE	.32b	4.3	22	1	7⅛	7⅛	7⅛	+ ½
23	14½	AdaEx	3.05e	10.		71	16	15⅞	16⅞	
24⅞	7½	AMD				2982	18½	18⅛	18⅛	+ ⅛
11⅞	4⅝	Adobe			12	101	8	7⅞	7⅞	
32¼	16⅞	Adob pf	1.84	10.		2	18⅛	18⅛	18⅛	
21¼	17½	Adob pf	2.40	11.		6	20⅞	20⅞	20⅞	– ⅛
13¾	5⅞	Advest	.12	1.8	9	13	6⅝	6⅝	6⅝	+ ⅛
64¼	39½	AetnLf	2.76	6.2	8	1204	45⅛	44⅞	44½	– ⅛
63½	41	AflPub	.40b	.7	50	20	30	30½	56⅝	– ½
23⅛	13	Ahmans	.88	3.8	12	935	16⅞	15⅝	16⅝	
4⅝	1⅛	Aileen				19	2⅛	2	2⅛	
59⅞	23	AirPrd	1.20	2.5	13	2290	47⅞	47⅛	47⅛	
39⅛	11⅛	AirbFrt	.60	3.3	26	12	18½	18⅛	18⅛	– ⅛
16½	6¾	Airgas			17	354	12⅞	13½	12⅞	+ ⅛
19⅞	13½	Airlease	2.30	12.	16	32	10½	10⅛	10½	+ ⅛
9⅞	7⅛	AlaP dpf.87		9.4		10	6⅛	6⅛	6⅛	– ⅛

Continued on Page 43

هكذا صدر الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

AMEX COMPOSITE PRICES

2pm prices June 21

[illegible]

Copyright by The Unlisted Press

OVER-THE-COUNTER

Nasdaq national market, 2pm Prices June 21

[illegible]

Continued on Page 41

FINANCIAL TIMES Wednesday June 22 1988

AMERICA

Unease over interest rates continues to hit trading

Wall Street

TRADING in US financial markets was subdued again yesterday amid unease about international interest rate policy, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average stood 2.22 lower at 2,081.61 after a fall of more than 20 points on Monday. Volume remained low with about 86m shares having been traded by midsession.

US Treasury bonds started higher, building on their gains on Monday, but then weakened in late morning trading. By midsession, prices were quoted as much as ⅝ point lower and the Treasury's 30-year benchmark issue was down ⅜ point to yield 9.108 per cent.

The key word for both markets is uncertainty. Confirmation of a ¼ point increase in the Bundesbank's security repurchase rate to 3.50 per cent from 3.25 per cent had little impact on the market as the move was widely expected.

Now the focus has shifted back to domestic monetary policy with speculation growing that the US Federal Reserve is in the middle of another tightening move. Fed Funds have traded above 7¼ per cent all this week compared with what many believed to have been the most recent target of 7⅛ per cent.

Bond economists now believe the Fed is targetting Funds at 7⅜ per cent.

Yesterday's release of consumer prices figures for May had little impact. The rise in the consumer price index in May was 0.3 per cent, somewhat less than the consensus of forecasts which had looked for a 0.4 per cent rise. Nevertheless, over the past three months, as economists at Grigsby & Santow note, prices ex-food and -energy have risen by an average of 0.4 per cent or an annual rate of 4.8 per cent.

Another cloud hanging over financial markets is the terrible state of the savings and loans industry. News of the scale of the difficulties has only seeped out gradually and the problem does not appear to have started having a direct negativeeffect on markets. However, it is another factor adding to uncertainty.

US press reports said that the Federal Home Loan Bank Board would announce that the industry had lost more than $3bn in the first three months of this year.

The one bright spot for markets has been the steady performance of the dollar which was quoted at Y126.25 and DM1.7543 at midsession yesterday.

Among featured stocks on the equity market, Murray Ohio Manufacturing slumped $2⅛ to $55⅞ after news that it had accepted a takeover offer of $56 a share by Tomkins of Britain, which bettered an earlier offer of $52 a share by Sweden's Electrolux.

Bank of New York and Irving Bank shares were again in focus on renewed speculation that Banca Commerciale Italiana might sweeten its offer to take control of Irving. Irving rose $¼ to $71⅛ and Bank of New York added $⅞ to $33⅞.

Visual Graphics rose $2⅞ to $11⅞ on the American Stock Exchange after the company said it was in preliminary talks with an unnamed suitor about a possible $13 a share offer. Also on the Amex, Vanguard Technologies surged $3⅛ to $18⅛ after the company said it was in talks with a company listed on the New York Stock Exchange about a possible takeover bid.

Gillette added $⅝ to $37⅝. The company said that Kohlberg, Kravis, Roberts and Forstman Little had both proposed buying large stakes in the company to help it fend off any takeover attempt by Coniston partners, which recently lost a proxy fight for board seats.

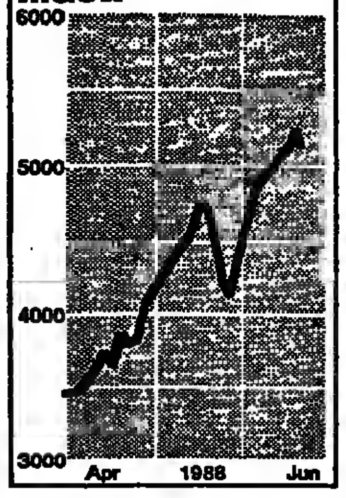
Texaco was unchanged at $46⅞ as the votes continued to be counted in the proxy fight with investor Mr Carl Icahn.

Canada

GAINS in energy stocks and base metals issues helped push Toronto stocks higher in moderate trading, with the composite index up 11.6 at 3,405.9, after rising by 16 points in early trading.

Polysar Energy was the most actively traded stock, unchanged at C$19⅜. Dome Petroleum firmed 1 cent to C$1.39.

Taiwan weighted Index



Champagne corks fly as Taiwan stocks soar

By Bob King in Taipei

CHAMPAGNE corks hit the ceiling, firecrackers exploded, and a giant balloon lofted skyward on June 9 as the Taiwan stock index broke yet another record and coasted through the 5,000 mark for the first time in its 26-year history to close at 5,070.15.

Now, almost two weeks later, the euphoria continues as the index maintains its rise - though in fits and starts - and analysts predict that the market will stay bullish through the rest of the year.

The Taiwan stock index closed yesterday at 5,167.87, continuing a small correction after reaching a high of 5,264.55 late last week. Jitters, bargain-hunting, and profit-taking aside, though, sufficient support probably exists to carry the market upwards well throughout the summer, say analysts.

Much of the support is the same as that which has buoyed the market since the beginning of the year. Simply put, most of Taiwan's major economic and political anxieties are out of the way, significant and positive changes are coming, and the entry of new stockbroking firms and listed companies will probably draw more investors into equities.

The market continues to outperform, in terms of daily turnover and capitalisation, its fellow exchanges in Hong Kong and Singapore. The index now stands at 2.2 times the level of 2,340 at the end of last year.

Excess liquidity, as well as investor confidence and enhanced company prospects, continue to drive the market.

A series of recent defaults by underground investment houses, which had over the past year or so absorbed more than US$5bn of idle capital by offering interest rates of as much as 50 per cent annually, have also forced investors to put their money into shares.

Taiwanese equity investors remain somewhat limited in their choice: of the 141 listed stocks, about 130 are actively traded, and with excess liquidity chasing such a limited number of stocks, prices are inevitably forced upward.

Other potent forces are also at work, and conditions boosting investor confidence have in fact never been better over the past four decades.

The Government recently estimated, for instance, that real GNP growth for the year will probably exceed the targetted 7 per cent.

Furthermore, key political, economic, and social reforms proposed by the Government look increasingly likely to be achieved as the country approaches the 13th national congress of the ruling Nationalist Party.

ASIA

Fears fuel sharp falls for second straight session

Tokyo

WORRIES about the likelihood of higher interest rates in West Germany lingered in Tokyo yesterday and share prices fell sharply for the second day running, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average ended 213.46 lower at 27,925.57. Its high for the day was 28,109.14 against a low of 27,915.16 and volume totalled 1.17bn shares compared with Monday's 1.2bn shares. Declines led advances by 541 to 373, with 150 issues unchanged.

A wait-and-see attitude became increasingly dominant because of continued concern over an interest rate rise in West Germany. Large-capital steels and shipbuildings, which had led bullish market activity in recent weeks, came under heavy profit-taking pressure.

With such issues losing popularity, demand shifted to small- and medium-sized steels. Nisshin Steel topped the active list with 61.7m shares traded, rising Y70 to Y950. Yodogawa Steel Works jumped Y100 to Y1,300, Tokyo Steel Y130 to Y4,150 and Pacific Metals Y92 to Y922.

Among the giant capitals, Kawasaki Steel, the second busiest issue with 60m shares traded, ended just Y1 higher at Y577. Nippon Steel, the third most active stock with 57m shares changing hands, fell Y7 to Y554.

Sumitomo Metal Industries finished Y2 higher at Y514, while Mitsubishi Heavy Industries dipped Y6 to Y830 and Sumitomo Chemical Y20 to Y1,130.

Some foods continued to attract strong buying interest, helped by soaring soybean prices on the international commodity markets. Showa Sangyo added Y21 to Y836 and Nihon Nosan Kogyo Y39 to Y818. Reports from Nissin Food Products that it has developed an antibody for AIDS boosted the share by Y230 to Y4,580.

But high-technology stocks dropped on a wide front. NEC shed Y30 to Y2,060, Matsushita Electric Industrial Y20 to Y2,480, Sony Y80 to Y5,070, Hitachi Y20 to Y1,380 and Toshiba Y12 to Y886.

Financial issues were also out of favour, with Sumitomo Bank shedding Y70 to Y3,600, Tokio Marine and Fire Insurance Y20 to Y1,930 and Nomura Securities Y60 to Y3,880.

Bond prices rallied sharply, bolstered by a buying operation by the Bank of Japan.

In the morning, the central bank offered to purchase about Y50bn worth of three issues of long-term government bonds from seven financial institutions and three securities house dealers.

Buy orders worth tens of billions of yen placed on the bond futures market for short covering also gave a boost to the cash market.

As a result, the yield on the benchmark 5.0 per cent government bond, falling due in December 1997, fell to 4.745 per cent from 4.785 per cent at Monday's close. In inter-dealer trading later, the yield on the benchmark issue dipped further and then hovered around 4.710 per cent.

Osaka Securities Exchange prices closed lower for the first time in seven trading days. The 250-issue OSE stock average ended 81.94 lower at 28,032.67, on an estimated volume of 111m shares, down 9.7m shares from the previous day.

Asanuma Gumi declined Y45 to Y940, while Kobe Cast Iron Works turned down, closing Y90 lower at Y1,060. Daido Sanso gained Y25 to Y810 amid rumours of speculative buying.

Australia

PROFIT-TAKING reduced most of the day's gains and the All Ordinaries index closed 16.2 lower at 1,602.0, after rising for the four previous sessions.

Resources led the way down because of easier commodity prices and CRA lost 30 cents to A$9.20, while MIM fell 6 cents to A$2.02.

The overnight fall in the bullion price took gold stock Renison Goldfields down 20 cents to A$9.70, Placer Pacific 8 cents to A$2.55 and Kidston 5 cents to A$4.35.

Hong Kong

INTEREST rate fears and the initial slide on Wall Street took equities lower, with the Hang Seng index falling 35.41, or 1.3 per cent, to 2,663.65.

Trading remained active, however, with turnover worth HK$1.34bn, after HK$1.75bn on Monday.

Tomei Industries started trading yesterday and rose to HK$1.51 against the HK$1 offer price, leading the active list.

There were also large orders for Ka Wah Bank, which is controlled by China International Trust and Investment, rising 2 cents to HK$1.82. Wharf, due to hold a news conference after the market's close to announce an overseas acquisition, was steady at HK$7.85.

Singapore

THE weaker overnight close on Wall Street and poorer finishes in other markets in the region wiped out early gains in Singapore and equities ended lower on a broad front. The Straits Times industrial index fell 14.2 to 1,058.07.

EUROPE

Bundesbank action cheers Frankfurt

THE EXPECTED rise in West German interest rates proved a boost rather than a dampener for share prices in Frankfurt yesterday, while elsewhere the trend was mixed amid a flurry of corporate developments, *writes Our Markets Staff.*

FRANKFURT gained ground after a weak opening, helped by the confirmation that the Bundesbank was raising its repurchase rate to 3.50 per cent from 3.25 per cent.

The announcement lifted the recent pall from the market and encouraged buying by both domestic and overseas investors, who had been holding back for interest rate news. There was some relief at the Bundesbank's decision to stick with a fixed rather than a variable rate tender system, one analyst said.

The good response in the bond market to the rate rise also spurred buying, and the FAZ index climbed 5.37, or 1.2 per cent, to 470.05. Share prices continued their climb after the market closed.

Turnover was estimated to be higher than Monday's DM3.5bn.

Banks saw good demand, particularly from London, after recent underperformances. Deutsche Bank added DM8 to DM434, Dresdner DM6.50 to DM248.50 and Commerzbank DM4.50 to DM223.50.

Retailer Karstadt, which announced a 5 per cent rise in five-month group sales, rose DM8 to DM908, but fellow retailers Kaufhof and Horten lost DM8 and DM1 to DM388 and DM192 respectively.

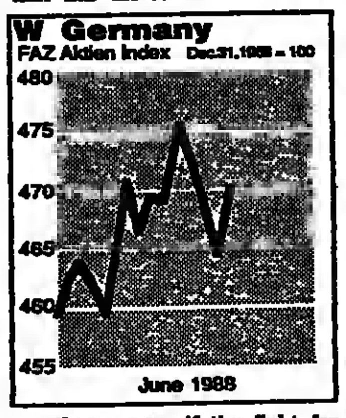
Bonds were fixed about 30 pfg higher, with the 6½ per cent 1998 unit yielding 6.61 per cent after 6.65 per cent on Monday.

PARIS ended little changed in moderate turnover, with most activity centring on situation stocks and option-linked shares. The market opened weakly, with the CAC General index showing a 2.3 decline to 343.8, but sentiment improved somewhat and the EFX 50 share index finished at 340.36, up just 0.01.

The end of the current monthly account was effectively moved forward a day to yesterday because the bourse unions plan another stoppage that is expected to disrupt activity today. The month-end coincided with the end of the three-monthly options account, so there was a fair amount of volume in underlying stocks such as Peugeot, up FFr4 at FFr1,147 and Thomson CSF, off FFr2 at FFr205.

Cie du Midi lost ground, falling FFr65 to FFr1,405, after reports that a Paris court had ruled in the company's favour to limit the voting rights of predator Assicurazioni Generali of Italy before today's key shareholders' meeting. The decision was seen as putting at least a temporary block on the takeover speculation that has driven Midi in recent

W Germany
FAZ Aktien Index Dec.31,1958 = 100



months – even if the fight for control of Midi is far from over.

Cérus, the Paris-quoted holding company of Mr Carlo De Benedetti, the Italian financier, leaped FFr40.90, or 9 per cent, to FFr479.90 after rival Cie Financière de Suez said it was sure of reaching an agreement with the Italian financier over the future of target company Société Générale de Belgique. Suez was up FFr4 at FFr246.

Lyonnaise des Eaux, the water supply company, was off FFr23 at FFr1,316 after announcing an agreed cash bid for Essex Water of the UK valuing it at about £47.6m.

BRUSSELS began the first day of its new trading account in good form, with shares closing generally higher and active trading in speculative stocks and issues that went ex-dividend yesterday.

The cash market index rose 8.35 points to 4,925.77 and the forward market index added 17.29 to 4,919.77. The rise in the West German repurchase rate had little impact, but news of buoyant Belgian tax revenues added to the positive mood.

Among stocks paying out a dividend, GB-Inno, the retailer, added BFr2 to BFr1,324, chemical stock Solvay shed BFr175 to BFr13,125 and UCB was off BFr20 at BFr8,900.

Market leader Petrofina, which has been at the centre of stake-building speculation, added BFr50 to BFr12,625 after easing slightly on Monday. Rumours suggest that Elf Aquitaine or Total CFP of France may be buying the stock.

The share price of Société Générale de Belgique showed little reaction to yesterday's annual general meeting. Générale eased BFr45 to BFr4,555.

Sofina, the financial holding company, dropped BFr450, to BFr13,000 after Friday's announcement that Générale was selling its 26 per cent stake in it to Union Financière Boel, the other main shareholder.

Steelmakers continued to benefit from the pick-up in commodity prices and the improvement in their earnings outlook. Clabecq added BFr82 to BFr900 and Cockerill rose BFr2 to BFr246.

The utilities did well, with Tractebel continuing to draw demand in advance of its rights issue. It added BFr10 to BFr6,930.

MILAN took some cheer from news of the preliminary agreement between Mr De Benedetti and rival shareholders in Belgium's Société Générale, and share prices closed marginally higher.

The MIB index edged up 2 to 1,087 in lower volumes than the L150bn worth of shares seen on recent days. Losses on Wall Street and in Tokyo hit sentiment and helped keep a rein on share price rises.

Carmaker Fiat, which confirmed that it was in talks with state industrial group IRI about an industrial accord, rose L70 to L9,240. It said, however, that the agreement was not imminent, contrary to local press reports.

ZURICH rose over the session to close slightly higher.

In foods, Nestlé bearers fell SFr5 to SFr8,670 after the company announced it was extending its takeover bid for Rowntree, the British confectionery maker, to July 4. Bearer shares of Jacobs Suchard, Nestlé's rival in the takeover battle, closed unchanged at SFr7,700.

Among department stores, Globus bearers matched a part of their recent losses to close SFr50 higher at SFr7,650.

AMSTERDAM was helped by the firmer dollar, fixed at Fl 1.978 against Monday's Fl 1.974, and finished higher amid caution pending the release of the US consumer price index for last month.

When the news was released in the afternoon, showing a rise of 0.3 per cent in the US index, there was little reaction from investors, however, and the CBS all-share index ended the day up 0.8 at 89.8.

MADRID saw profit-taking in the wake of declines on Wall Street and in Tokyo, with chemicals and banks leading falls. The general index lost 1.64 to 296.22.

Food and consumer stocks moved against the trend, with Tabacalera up 10 percentage points at 1,100.

Motor Iberica fell a sharp 18 to 331 on heavy profit-taking after its recent strong run.

STOCKHOLM was listless, with many investors away for the midsummer holiday, and the Affärsvärlden index fell 0.7 to 855.0.

Electrolux, which said it was withdrawing its tender for Murray Ohio, a US maker of lawn mowers and bicycles, closed unchanged at SKr236.

Nobel Industrier fell SKr2 to SKr205. Four former directors of its weapons manufacturing subsidiary Bofors were formally charged with smuggling millions of dollars worth of arms to blacklisted countries.

London

DEMAND for international favourites such as ICI, Glaxo and Unilever provided a bit of excitement in an otherwise boring market, with investors keeping an eye on the direction of interest rates.

The FT-SE 100 index climbed 18.1 to 1,860.1. Turnover reached 380m shares but focused on only a few sectors.

SOUTH AFRICA

GOLD SHARES responded only mildly to a slightly weaker bullion price, helped by a fall in the financial rand.

Trading was thin and uncertain as dealers adopted a wait-and-see approach to the conclusions of the summit of leading industrial nations in Toronto.

Vaal Reefs fell R5 to R250, Elandsrand shed 50 cents to close at R16, and Freegold closed down 25 cents at R27. However Driefontein gained 40 cents to R32.40, and Kloof picked up 25 cents to R29.

De Beers was unchanged at R35.60 and Gencor level at R50.50.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JUNE 20 1988					FRIDAY JUNE 17 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	150.35	+2.3	124.91	121.72	3.68	146.92	122.17	120.10	150.35	91.16	135.00
Austria (16)	87.04	+0.1	72.32	79.36	2.58	86.99	72.33	79.25	98.18	84.35	85.76
Belgium (63)	122.19	-0.3	101.51	111.49	4.51	122.51	101.86	111.48	139.89	99.14	117.09
Canada (125)	125.87	-0.3	104.57	110.19	3.06	126.20	104.94	110.85	126.20	107.06	127.07
Denmark (39)	129.18	+0.3	107.33	117.46	2.47	128.80	107.10	116.93	132.72	111.42	119.61
Finland (25)	138.58	+0.2	115.14	120.87	1.74	138.25	114.96	120.38	139.53	106.78	-
France (127)	95.65	-0.3	79.47	88.97	3.65	95.93	79.77	88.94	99.62	72.77	105.74
West Germany (99)	75.61	-2.1	62.82	69.19	2.68	77.27	64.25	70.42	80.79	67.78	96.50
Hong Kong (46)	109.13	-0.1	90.67	109.33	4.19	109.20	90.80	109.39	109.20	84.90	124.37
Ireland (18)	138.72	-0.4	115.25	127.92	3.71	139.33	115.86	128.28	141.54	104.60	128.35
Italy (102)	72.41	+2.4	60.16	70.57	2.84	70.70	58.79	68.70	81.74	62.99	99.77
Japan (456)	172.72	-1.0	143.50	137.78	0.52	174.55	145.14	138.85	177.27	133.61	146.30
Malaysia (36)	149.17	+1.4	123.93	147.99	2.46	147.04	122.27	146.02	149.17	107.83	170.28
Mexico (14)	179.35	+4.0	149.01	449.06	1.11	172.51	143.45	430.05	179.35	90.07	268.91
Netherland (38)	105.01	-1.2	87.24	94.78	4.88	106.27	88.36	95.57	110.66	95.23	120.25
New Zealand (21)	83.55	-0.1	69.41	61.27	5.97	83.61	69.53	62.03	84.05	64.42	99.93
Norway (25)	123.39	+0.1	102.51	106.69	2.83	123.22	102.46	106.45	132.23	98.55	139.99
Singapore (26)	122.27	+0.0	101.58	114.30	2.20	122.29	101.69	114.23	123.33	97.99	143.04
South Africa (60)	130.76	+0.7	108.64	85.20	5.16	129.84	107.97	84.85	139.07	118.16	154.32
Spain (42)	159.95	-0.4	132.88	140.68	3.09	160.66	133.59	141.06	164.47	130.73	117.58
Sweden (35)	121.70	-0.5	101.11	109.81	2.60	122.37	101.75	110.19	125.50	96.92	113.26
Switzerland (55)	81.13	-0.5	67.40	73.56	2.32	81.51	67.78	73.63	86.75	75.60	98.66
United Kingdom (327)	136.76	-0.2	113.62	113.62	4.34	137.08	113.98	113.98	141.18	123.09	145.15
USA (578)	109.58	-0.7	91.04	109.58	3.58	110.33	91.74	110.33	111.69	99.19	126.68
Europe (1011)	108.47	-0.4	90.12	95.19	3.76	108.92	90.56	95.45	110.82	97.01	119.81
Pacific Basin (673)	169.30	-0.9	140.65	135.83	0.71	170.86	142.07	136.77	172.26	130.81	144.98
Euro-Pacific (1684)	144.97	-0.8	120.45	119.66	1.63	146.08	121.47	120.34	147.53	120.36	134.95
North America (703)	110.45	-0.7	91.76	109.63	3.54	111.18	92.44	110.38	112.43	99.78	126.70
Europe Ex. UK (684)	90.92	-0.6	75.54	83.67	3.24	91.43	76.03	83.87	92.99	80.27	104.08
Pacific Ex. Japan (217)	128.15	+1.3	106.47	111.42	3.86	126.44	105.14	110.63	128.15	87.51	129.00
World Ex. US (1883)	144.20	-0.7	119.80	119.12	1.71	145.26	120.78	119.78	146.49	120.26	134.96
World Ex. UK (2134)	130.25	-0.8	108.21	116.04	2.09	131.25	109.14	116.77	131.77	111.77	130.39
World Ex. So. Af. (2401)	130.81	-0.7	108.68	116.02	2.28	131.76	109.56	116.72	132.39	113.26	131.55
World Ex. Japan (2005)	110.71	-0.5	91.98	104.58	3.65	111.22	92.48	105.06	112.25	100.00	124.78
The World Index (2461)	130.82	-0.7	108.68	115.81	2.30	131.75	109.55	116.50	132.38	113.37	131.70

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

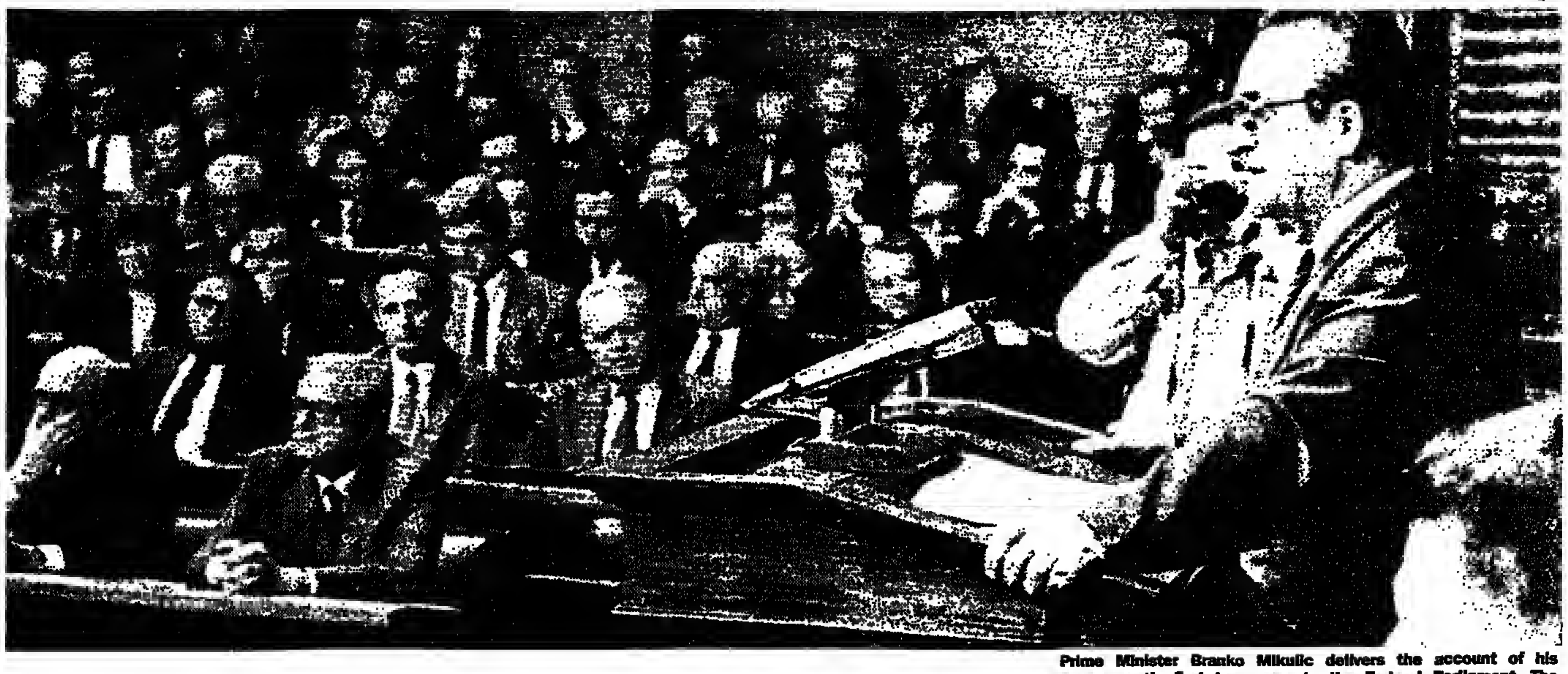
Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES

SURVEY

Attempts to achieve financial discipline continue to founder on the inability of the constituent republics to unite in the face of increasing social tensions. And the current economic crisis has produced only the usual crop of good intentions, writes **Margaret van Hattem.**



Prime Minister Branko Mikulic delivers the account of his government's first two years to the Federal Parliament. The Yugoslavs have yet to find a way of making "market socialism" work in a country with a complicated constitution

Yugoslavia

Not waving but drowning

"I HAVE seen the future and it doesn't work," Mikhail Gorbachev no doubt confided, on his return home from Yogoslavia last year, to his second-in-command, Yegor Ligachev.

The Yugoslavs have restructured, decentralised, democratised, marketised, espoused all the theories that the more influential Soviet economists have persnaded their leadera to endorse. And yet their economy has gone from bad to catastrophic to worse.

After Tito's break with Stalin 40 years ago, Yugoslavia abandoned the rigid central planning of the Stalinist command economy, and devolved decision-making to enterprise managers and workers' councils. By the 1950s, the situation had started to get ont of hand. Workers were awarding themselves higher wages than their enterprises could afford; and enterprise managers, desperate to secure scarce financial resources, were recklessly oothidding each other, offering higher interest rates than they could afford.

The solution, it was felt, was to allow supply and demand to determine interest rates, wages, commodity prices and production levels. Hence the birth of "market socialism", Yogoslavia'a unique contribution to socialist economic development.

But as Ian Mikardo, that stalwart of the socialist wing of the British Labour party, ooce observed, "market socialism is lecherous virginity." The Yugoslavs have yet to find a way of making it work.

Their problems were initially compounded by the fact that, in trying to separate the functions of the party and the state, they had, in effect, eight parties and eight states to contend with; so that any attempt to democratise the highly undemocratic structures of democratic centralism, which were their starting point, was doomed to end in a chaotic constitutional tangle.

Is the Soviet Union heading down the same path? The Soviet state is not an artificial creation in quite the sense that the Yugoslav state is.

Even before the relatively recent emergence of Moscow as the capital of a large empire, the pattern of tightly-centralised Russian dominance over Ukrainians, Byelorussians, Georgians, Armenians, Baltic, Central Asian and other nationalities was well established - to a degree that the Serbs have never achieved in relation to the Croats, Slovenes, Bosnians, Albanians, Hercegovians, Montenegrins and Macedonians.

In fact, fear of Serb dominance may yet turn out to be a potentially stabilising factor in Yugoslavia, if it is channelled and exploited to provide a catalyst for the sort of horse-trading and formation of working alliances between the separate republics that have been conspicnous mainly by their absence in post-war Yugoslavia; and that could at least provide a steering mechanism for a democratic decision-making process.

Yugoslavia has been on automatic pilot ever since Tito died, and seems incapable of schooling leaders who can drive the machine he constructed and bequeathed.

If Mr Gorbachev truly believes that democracy is an essential prerequisite for economic reform, Yugoslavia provided an object lesson to the rest of the Eastern bloc in how not to go about it.

Tha recent struggles of Armenia, Estonian and Kazak nationalism to assert themselves within the USSR should be sufficieot warning that Soviet attempts to devolve, decentralise, democratise and clean out corruption will have to be more clearly thought out and carefully controlled than has been apparent so far, if the Soviet Union is to avoid the ineffectual over-bureaocratised and uncootrolled administrative mess that the Yugoslavs have constructed for themselves.

This is the nightmare that has haunted conservatives in the Soviet Communist party ever since the 1950s, when what they regarded as Khruschev's "hare-brained" schemes for reforming and relaxing the rigid Stalinist system so terrified them that they saw no option but to get rid of him.

Party leaders in Slovenia and Croatia, who include some of the more open-minded and less ideologically hidebound in the Federation, may well have felt more than a sneaking sympathy for those Soviet conservatives last month, when they instructed their representatives in the Federal Assembly to push for a vote of oo-confidence in the Prime Minister, Mr Branko Mikulic, and his government.

It was not Mr Mikulic's reform programme, drawn op with a good deal of arm-twisting from the International Monetary Fund, in which they lacked confidence, but rather his ability to implement it more effectively than its many predecessor reform packages, which have come and gone without visible impact on the deteriorating economy.

Inflatioo is oow heading, according to each of the four or five official yardsticks, for its second century; foreign debt is estimated at more than $20bn; there is record unemployment, and a shortage of the oewly-devalned dinar, oow trading at roughly one third of its value a year ago.

So Mr Mikulic appeared before both chambers of the Federal Parliameot to give an account of his government'a first two years, and its failures.

This was a curiously flat occasion, with little sense of a government fighting for its life. Mr Mikulic addressed the half-empty semi-circles of seats, ploughing stolidly through his 90 minntes of prepared text, which was circulated to and impassively followed by the seated representatives.

Uotil they broke into polite applause at the end, the only sign of life came from the photographers and camera crews weaving ant-like across the floor.

Mr Mikulic's performance was that of a man not waving but drowning. There was oothing wrong with his government's policies, he insisted. They had, after all, the unanimous approval of the eight regional assemblies.

"But I cannot impose them," he cried. "Do you really think that a change of government alone will change anything?" He was, he confessed, more afraid of what would happen if the vote supported the Government than if it brought the Government down.

In the end, the delegates appear to have seen the logic of this and voted 125 to 64 against putting tha confidence motion in the 220-member federal chamber, and 64 to 23 against in the 88-delegate chamber of republics and provinces.

The vote gave way to a lively and outspoken debate, shown on Belgrade television a few hours later, in which most of the 23

Continued on page 3

KEY FACTS

Population	23.27m (1986)
Area	256,000sq km
GNP per capita	$2,842 (1986)
GDP	$66.14bn (1986)
TRADE	
Exports	$12.8bn (1987)
Imports	$13.1bn (1987)
Current account balance	+ $1.1bn (1986)
STRUCTURE OF MERCHANDISE (Exports) 1987:	
Primary commodities	$1.7bn (13.1%)
Chemicals	$1.3bn (10.0%)
Mineral fuels & lubricants	$0.3bn (1.9%)
Manufactured products	$8.8bn (69.0%)
STRUCTURE OF MERCHANDISE (Imports) 1987:	
Primary commodities	$2.0bn (15.0%)
Chemicals	$2.1bn (16.0%)
Mineral fuels & lubricants	$2.4bn (18.1%)
(Crude petroleum $1.5bn)	
Manufactured products	$6.6bn (50.7%)
Debt service as percentage of GNP	10% (1987)
Annual growth rate	3.6% (1986)
Annual rate of inflation	88% (1986); 121% (1987)

Contents

Economic danger is hardly noticed in the street

A crisis in the sun

HOW DOES the ordinary school teacher, doctor, civil servant, organise their day-to-day life, pay bills, plan the household budget or take a holiday, when inflation is nudging 200 per cent a year?

"It's easy," says a Belgrade housewife, married to a lawyer. "You put everything immediately into your foreign currency account. Everyone has one.

"No, of course it's not legal. But the banks ask no questions, and the authorities turn a blind eye. They are all doing it, too."

An awareness that Yugoslavia's continuing economic crisis is threatening the Federation's political stability seems to be confined to the chattering classes: the media, the academics, the foreign diplomats, and the politicians who are calling for each other's heads to roll.

Certainly there is little sign of panic in the federal capital, where shoppers and office workers weave their way through traffic jams and cars parked on pavements, to sit in the sun and take their first coffee of the day as they browse through the proclamations of doom and disaster in the morning's press, or retreat into the private world of their personal stereos.

Last month, only days before the Government's price and wages freeze was due to end, amid mounting rumours of an imminent dinar devaluation of up to 60 per cent (in the end it was 24 per cent), the weeks of speculation about a stampede of panic buying reached their climax.

The substantial earnings of workers abroad also obstruct efforts to control domestic demand

But the shops remained well stocked. And the predicted hordes of pedestrians, staggering under armfuls of consumer durables, loading their double-parked cars with white goods, failed to materialise. One can only conclude that the Yugoslav economy, like the centre of political power, is elsewhere.

Yugoslavs have one of the highest private savings ratios in the world, with significant cash deposits held in banks at home and abroad, well beyond the Government's reach and hence a major complication in its attempts to control the money supply.

The substantial earnings of workers abroad, especially in West Germany and largely held in Deutsche Marks, similarly obstruct efforts to control domestic demand.

There is little real argument within Yugoslavia over the need to accept the conditions attached to the International Monetary Fund's latest \$1.4bn standby credit arrangement. These, the so-called "three liberalisations" – of import controls, of prices and of foreign exchange controls – should facilitate the export-led recovery for which the Yugoslavs and their long-suffering foreign creditors are hoping.

The programme also includes a commitment to reduce inflation to a target rate of 90-95 per cent by the end of this year. And few challenge the near-universal demand for greater scope for market forces and competition.

Though if this sounds like a neo-Darwinian rush back to the principles of natural selection and survival of the fittest in the capitalist jungle, few have followed the arguments, which they so cheerfully parrot, to their logical conclusion.

So when Prime Minister Branko Mikulic, fighting off a vote of no-confidence in the Federal Parliament last month, floated proposals for a major expansion of the capital base of industry - with widespread share ownership and establishment of a stock exchange where equities could be freely traded - approving murmurs were heard from the more prosperous, competitive Croats and Slovenes; while the more easy-going Bosnians and Macedonians blenched at the very mention of the words "stock exchange."

Yet the challenges and criticisms that have dogged Mikulic's administration from the start have come mainly from the Slovenes and Croats, who support the logic of his successive reform programmes and would benefit under them, but cling tightly to their regional political prerogatives rather than throw their political weight behind implementation of reform measures.

With inflation heading towards 200 per cent, foreign debt at more than \$20bn, growth slackening, unemployment and strikes reaching record levels, Mr Mikulic no longer claims that he has the answers, nor that the four economic programmes he has introduced since February 1987 have had any appreciable impact.

His own assessment of his government's first half-term records 242 sessions of government, with 5,348 points on the agenda, enactment of 216 laws, 970 decisions, 216 decrees, 752 "solutions" – all of which resulted in a 366 per cent rise in prices, and a 342 per cent drop in the value of the dinar against the Deutsche Mark.

Rounding on his critics three months ago, Mikulic railed against the futility of trying to create a unified market in a country with eight taxation systems, and eight systems of national banks, income distribution and earnings.

Introduction of his Government's latest reform programme was delayed when doubts within the Bank for International Settlements, over the Federal Government's ability to survive the Croat-Slovene challenge, caused it to withhold \$210m of the \$500m credit needed to activate the programme, pending the outcome of the confidence vote.

The point most baffling to outside observers is the unwillingness of the usually rational, competitive businesslike northerners – who could no doubt forge ahead within any constitutional framework – to work the present arrangements to their best advantage.

What is so precious to them that they risk sabotaging the entire Yugoslav economy in order to protect it?

Margaret Van Hattem

Price increases and cost of living (%) April 1988

	April 88/ March 88	April 88/ April 87	Q1 1988/ Q1 1987	April 88/ Dec 87
Factory-gate prices	2.6	132.4	140.3	16.2
Retail prices	6.6	152.0	145.0	24.0
Cost of living	7.7	159.7	158.0	24.5

Source: Federal Office of Statistics

Trade

Exports bring trade surplus

YUGOSLAVIA'S export performance remains one of the few bright spots in the economic picture.

In the first four months of this year, total exports increased by more than a quarter compared with the same period of 1987; and hard currency exports rose by almost 30 per cent, of which some 37 per cent was to industrialised countries.

Coinciding with a levelling off of imports, this produced a trade surplus of \$140m, a surplus of \$162m with hard-currency countries, and a surplus of \$116m with industrialised countries, where most of Yugoslavia's foreign debt is concentrated.

However, the trend is not expected to last. Trade in visibles is likely to run at a \$1,850m deficit for 1988 (\$1,068m last year), and the current balance is likely to show a surplus of only \$400m (\$1,037).

But with imports expected to rise this year, the trade deficit could reach \$1bn, while the payments surplus has been estimated as high as \$1.3bn.

These surprisingly optimistic projections stem from the Government's efforts to restrict domestic demand, and its recent devaluation of the dinar. The aim is to stimulate production for export, boost exports and restrict imports, though not enough to block necessary inputs for manufacturing.

Externally, the increase in prices of non-ferrous metals and ferro-alloys helps Yugoslav producers, as do relatively cheap crude oil and other energy. Thus Yugoslavia would benefit from a continuation of present trends in world markets.

In the last couple of years there have been comparatively wide shifts in the regional composition of Yugoslav trade, mainly by reduction of the share conducted with developing and socialist countries. Two main factors have contributed to this.

First, the debt of many less developed countries and the war in the Gulf have reduced those countries' imports.

Second, socialist countries, and the Soviet Union in particular, have been facing a shortage of foreign exchange, due to the fall of oil, gas and other energy and raw material prices, and have reduced their imports.

Yugoslavia has accumulated large surpluses in its trade with those countries. The surplus with the Soviet Union alone exceeds \$1.4 bn. Its claims from some less developed countries and a number of African countries amount to about \$2bn.

Efforts are being made to collect dues, which would also help Yugoslavia to service its own debt, but so far results have been modest.

While the value of Soviet exports to Yugoslavia has been falling, the volume has remained the same, or increased. Thus the two countries have been faced with the dilemma of whether to modify the five-year plan, which would mean reducing Yugoslav exports, or to stick to it, which would require Yugoslav firms to buy more in the Soviet Union. The trouble is that they cannot find sufficient goods at the right price and of the right quality.

One possibility that has been mentioned is the conversion of part of the Soviet deficit into a Yugoslav credit, while increasing deliveries of Soviet goods. Whether that includes armaments is not clear, though the Yugoslav Air Force did recently display 29 newly-acquired Mig aircraft. The Soviet side has also offered to build the Belgrade Underground, but the idea is likely to be reluctantly rejected: Even if the idea were approved by federal authorities, Belgrade hasn't enough money.

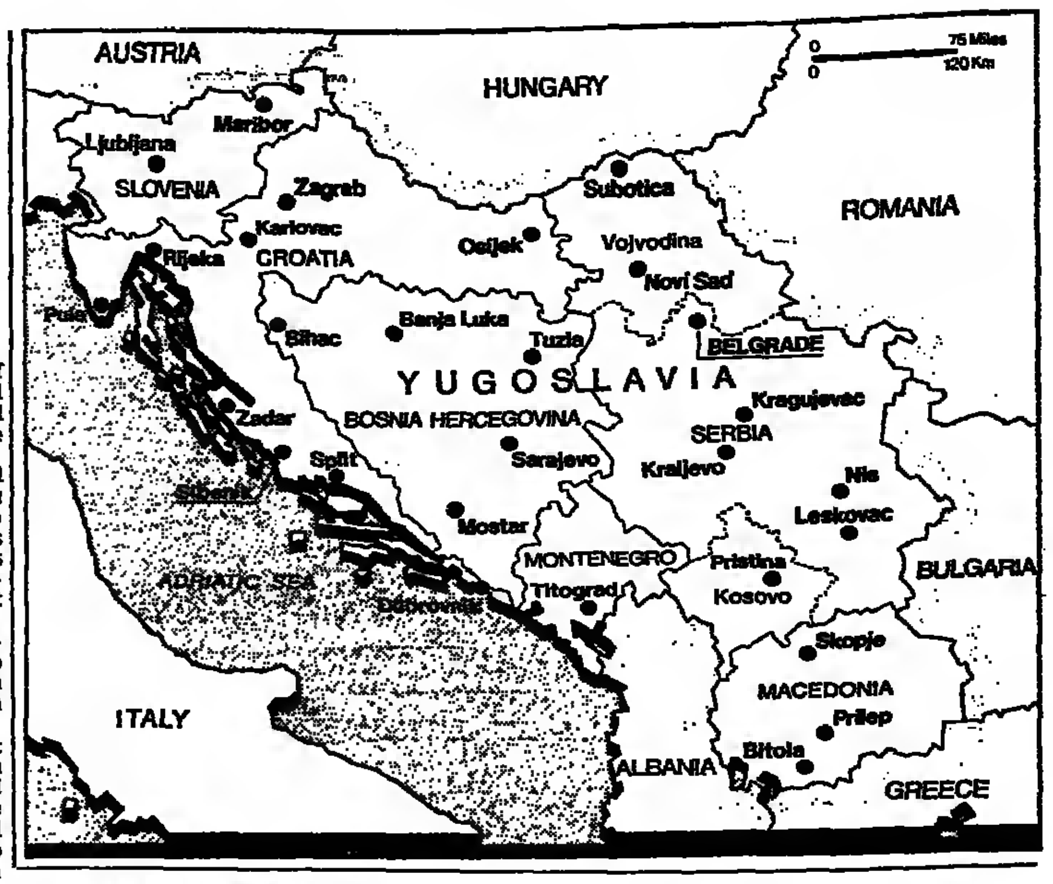
Another shift to be made this year is the reduction in various forms of barter and countertrade, which, due to the severe shortage of foreign exchange, had been blossoming in recent years. While that has contributed to statistically larger exports, it has also reduced foreign exchange inflows.

The European Community's plan to create a single internal market by 1992 has exacerbated Yugoslav fears over access to Community markets, and the trade agreement signed last July has not dispelled them.

One has the impression that little has been done in Yugoslavia to prepare for 1992 and beyond. At present, efforts are being made by the EC to acquaint both the Yugoslav authorities and the business community with the intended changes, and ways in which Yugoslavia can best fit into them.

Technical talks have been under way for some time: EC standards, ways of marking, and papers accompanying goods have all been studied. But, as the head of the newly created Federal Secretariat for External Economic Relations, Mr Nenad Krekic, said in his first interview, the position of Yugoslavia will be a matter for future negotiation, though a close link with the Community remains in the country's interest.

Aleksandar Lebl



Exports and Imports: January-April (\$m)

	1987	1988
EXPORTS		
Total	3,103	3,893
Developed countries	1,544	2,111
Developing	461	565
Socialist	1,098	1,217
East European	1,050	1,190
Other Socialist	48	27
Hard currency	2,281	2,956
East European	245	262
Other	2,036	2,694
Clearing	822	937
East European	809	934
Other	13	2
IMPORTS		
Total	3,768	3,753
Developed countries	2,121	2,097
Developing	550	602
Socialist	1,097	1,054
East European	1,070	1,026
Other Socialist	27	28
Hard currency	2,813	2,794
East European	280	272
Other	2,532	2,522
Clearing	955	959
East European	949	954
Other	6	4

Source: Federal Office of Statistics

Industry

Output under pressure

HAVING emerged from a period of stagnation, industry has started to decline.

Last year, total output was only 1 per cent above that for 1986. First signs of weakness appeared in the autumn, and continued into the first four months of 1988, when industrial production fell 1.7 per cent below the 1987 period.

April output was 4.3 per cent below that of April 1987, and 8.6 per cent below that of March.

With interest rates approaching or exceeding inflation, and compulsory revaluation of inventories, many companies have been offloading old stock at much reduced prices and adjusting their output to demand.

Many enterprise managers and policymakers now believe that the emphasis of the past 20 years on raw materials was misguided, and that it has contributed to the neglect of foreign exchange earners such as tourism and transport.

State support for the shipbuilding industry, which has been phased out in the most countries, has been maintained in the hope of continuing the successful trend of recent years, in spite of the worldwide shipbuilding crisis. Lloyd's Register lists Yugoslavia as the third largest world exporter, after South Korea and Japan.

Order books of the six large Yugoslav maritime shipyards that make up the Jadranbord Association are virtually full until 1990. At the end of April this year their orders totalled 49 ships with 1,813,379dwt or 1,210,565kbt, worth some \$1bn.

All these ships, with the exception of five small vessels, were for foreign buyers, including two super-modern ferries for Finland, the first of their kind to be built in Yugoslavia.

Shipyards are optimistic about the years after 1990, and expect to start getting orders soon. They hope that relaxation of import and foreign exchange regulations will ease their difficulties over imports of components or delays in payments to foreign suppliers, and are also optimistic about settlement of debts by assorted Yugoslav agencies.

The six big shipyards have full order books

The metal and chemical sectors may also benefit in these ways. But relaxation of import curbs will expose them to stronger foreign competition.

Heavy engineering in general performed badly last year. Except for shipbuilding, in which output rose 19 per cent over 1986, and infrastructure and rolling stock (up 4 per cent), the rest declined: metal-processing (by 2 per cent), machine building (by 3 per cent), manufacturing of electric machines and apparatus (by 2 per cent). A similar pattern has continued this year.

Manufacturing industry plays a major role in the country's economy, which has a weak service sector. Plans to streamline and modernise it are all that Yugoslavia has to show in the way of reform. Economic changes, to be introduced shortly, aim to achieve just that, among other objectives. But how thoroughly and rapidly it will happen remains to be seen.

A.L.

The country's deep divisions are growing more visible

Political compromise harder

YUGOSLAVIA'S politicians are sailing unsteadily into waters that have never been charted. Unprecedented events, with correspondingly unpredictable consequences, are becoming an almost daily routine.

As the country staggers through its debt crisis, the deep, interlocking divisions (old ethnic and religious ones, as well as newer ones based on economic interests and the generation gap) are growing more visible.

Inevitably, the dire state of public finances and the manifest failures of an entire economic system are forcing Yugoslavs to rethink the terms on which six republics and two provinces sullenly co-exist.

That may sound like a healthy process, given the paralysis of policy which often seems to result from the present, decentralised system. Bnt the economic crisis, because it affects different regiona in different ways, is also sharpening Yugoslavia's internal contradictions and making compromise harder.

The latest untoward occurrence is the emergence toto open verbal war of tension between federal authorities, including the army, and the Communist party of Slovenia.

The official youth movement of that prosperous republic has long been a standard-bearer of cheeky, free-wheeling ideas. Its anti-militarist, environmentalist line has prompted comparisons with West Germany's Greens. It has mooted the idea of a multi-party state.

Things came to a head after the Slovenian youth newspaper, Mladina, had accused tha Army of preparing to crush liberalism in the republic through mass arrests. After a stream of angry denials from Belgrade, the Army did detain two Slovenian youth activists and a military officer, on suspicion of "betraying military secrets".

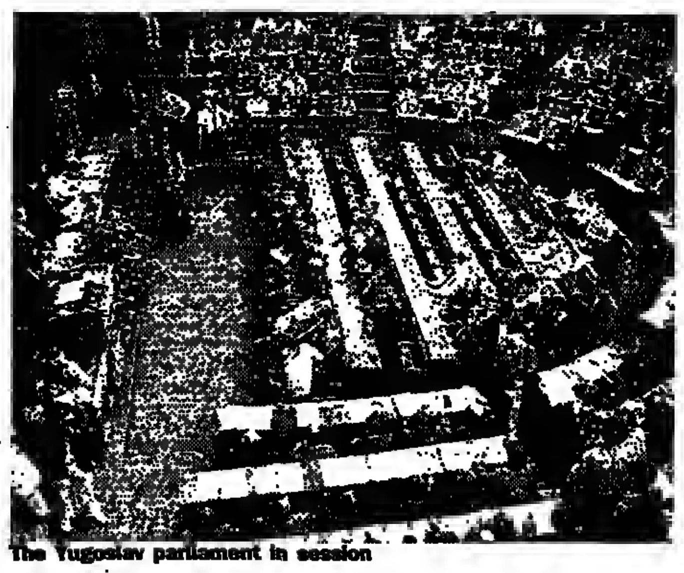
The grown-ups of the republic (in the form of the party leadership) demanded an explanation for the arrests, calling them "an exception in judicial practice."

Exceptions in political practice, meanwhile, have been two a penny in recent months.

One of them occurred in May, when Mr Branko Mikulic, the Prime Minister, underwent what should have been a routine parliamentary scrutiny on completing half of his four-year term.

The event took on an air of melodrama after two republics, Slovenia and Croatia, had told their representatives in the Belgrade assembly to propose a motion of no confidence, on grounds of Mr Mikulic's failure to manage the economy.

This had never happened to a Yugoslav premier before, it was muttered. Whatever the outcome, the reputation of Mr Mikulic had suffered an irreversible blow, said persons with the thankless task of analysing Yugoslav politics.



The Yugoslav parliament in session

As it turned out, legislators decided not to debate the no-confidence motion, and Mr Mikulic cut as convincing a figure as he could, full of determination to administer painful economic medicine. But there is no reason to think that the Prime Minister's detractors think any better of him, or that his position over the longer term is secure.

There was another unusual occurrence at a national conference of the Communist party three weeks ago. Amid much talk of corruption in unspecified quarters, a senior delegate did something very rude: he pointed a finger.

Mr Zvonimir Hrabar, head of the trade unions, called for an investigation into the holiday homes of senior politicians, including the party's "preceding president." Nobody needed reminding that the man's name is Mr Milanko Renovica.

There were also calls from a minority of delegates for an immediate, emergency party congress, empowered to make sweeping changes in the leadership.

Mr Slobodan Milosevic, the powerful Serbian party leader, was only slightly less menacing. He said he would favour an emergency congress in the autumn if economic reforms were not on track by then.

Interesting as it may be to experts who can decode the jargon, Yugoslavia's political debate has up to now had a surreal quality, with sabres loudly rattled, but not yet drawn.

The best explanation is that before any prizes can be fought over, there have to *be* prizes. And for the moment, posts in a weak federal exectuive hold little attraction for the ambitious.

Under a theoretically ingenious system, federal power is no more than a thin membrane stretched over the body politic, while real power rests with the republics. And federal institutions are often less than the sum of their provincial parts.

Many institutions, including the state presidency (which controls the armed forces), are weakened by a rotation system, with republics and provinces taking turns at heading them.

But some time soon, it is widely believed, the game of musical chairs will have to stop. If Yugoslavia is to emerge from its internal crisis, federal institutions will have to be given teeth, and then they will be worth fighting over.

Rivalled only by "market economy" (everyone wants it), Yugoslavia's commonest catchphrase is "reform of the constitution." After a long and bewilderingly verbose national debate, sweeping amendments to that unwieldy document are due to be laid before parliament at the end of November.

The constitutional proposals fall into two closely related baskets, which might be called economic deregulation and political (in the sense of federal) regulation.

On one hand, enterprises would be freer: in a painful departure from hitherto sacrosanct principles (which lay down that firms are self-managed co-operatives, owned only by their employees), outsiders would be allowed to take equity stakes. Bankruptcies and takeovers would become easier.

Concomitant with greater freedom for firms would be an increase in the power of federal government as guarantor of a "level playing-field": at the expense of the republics, and of the municipalities which are widely accused of disastrous meddling in economic life.

Such changes, if successfully implemented, would strike at the very roots of the Yugoslav system. There can scarcely be an interest group that would not be profoundly affected.

No wonder, then, that political debate is intensifying. These are some of the recurring themes:

■ Non-Serbs fear that greater federal power will simply mean greater power for Serbia, the most populous republic, and for Mr Milosevic, whom some see as an authoritarian nationalist.

■ Slovenia and Croatia, as exporting regions with relatively healthy enterprises, favour economic reform, as does Mr Milosevic. But Slovenia is particularly fearful of Serbian political influence.

■ The prosperous north is weary of writing what it sees as blank cheques in economic aid to the south: being allowed to take over inefficient southern enterprises is one thing, say northerners, but throwing good money after bad is another.

■ Conversely, Macedonia wants to lock the more prosperous republics into providing aid which it now sees as more necessary than ever, if only to avert labour unrest.

■ The two autonomous provinces within Serbia (Kosovo, whose Albanian majority lives in chronic tension with local Serbs, and Vojvodina) want to preserve their independence from Serbia proper.

■ Throughout Yugoslavia, young people are disillusioned by what they see as graft and incompetence among older politicians, and increasingly disrespectful of the totems of Titoism. In Bosnia, infighting between old-guard Moslem factions has been complicated by a youth-led reform drive.

The recent tensions in Slovenia, and an increasing number of strikes elsewhere, are harbingers of what could be a bitter power struggle between the country's interest groups.

Optimists say the debt crisis could force into existence a new "federal consciousness", a sense of national responsibility among politicians. If the coming struggle is to be kept within manageable bounds, they will need all the federal consciousness they can muster.

Bruce Clark

Drowning not waving

Continued from page 1

speakers were savagely critical of Mikulic but conceded that the system was to blame and that, given the constraints of the Federal Executive Council, he had *probably done as well as anyone* could.

This debate has been continued in the Yugoslav press, with Slovenian and Croatian papers predictably the most outspoken in calling on Mr Mikulic to resign. Further calls for his resignation have come from both the Federal president, Bosco Krunic, and the Serbian party president, Slobodan Milosevic.

If any spur is to be effective in making the southern Slav nations stand on their own feet and work *out* what *price they are* prepared to pay for being left unmolested to lotus-land, surely it must be something like the present economic crisis.

Yet, once again, the IMF has given the Yugoslav authorities a breathing space to the form of a one-year stand-by credit arrangement – perhaps a vote of confidence in the Federal Government'a ability to stay afloat for a few months more, but in reality *perhaps* closer to a vote of no-confidence in the willingness of regional party chiefs to take the hard options and untie federal hands.

So far the present crisis has produced only the usual crop of promises, good intentions, draft legislation and muffled threats by military persons unnamed, to move into the power vacuum at the centre.

For years, Yugoslavs have been calling for a more market-oriented economy with more competition. *Bnt their definition of* competition does not appear to include the concept of winners and losers.

Southern Yugoslavia already suffers the highest unemployment levels in Europe. Its enterprises are likely to be the hardest hit by the promised relaxation of protectionist or import controls.

But neither the federal nor the regional anthorities apparently expect these measures to be implemented effectively – for they have made no social provision for the estimated 14,000 or more about to be thrown on to the labour scrap heap if enterprises unable to survive in the market are allowed to go to the wall.

Like the doe-eyed gypsy waifs who squat on Belgrade pavements outside the more expensive shops and restaurants, the Yugoslavs appear to have developed a talent for trading on their *helplessness.*

And like those same ragged gypsies, who take up the same positions day after day, tbey appear to have curiously little to show for their not-insignificant pickings.

Judy Dempsey profiles three contrasting provincial leaders

Putting a very different stamp on the republics

Contrast in style: Slobodan Milosevic (above), Milan Kucan (centre) and Ante Markovic

IF THERE is one name on the tip of almost everybody's tongue in the Republic of Serbia, it is that of Slobodan Milosevic.

He is the bane of the intellectuals but the inspiration of many economic reformers. He is loathed by the jonrnalists but respected by the banking community.

He soothes the nationalist instincts of the Serbs, but worries liberals who fear his apparent Serbian chauvinism. In the words of one Yugoslav journalist, he is "a political authoritarian but an economic pragmatist."

Milosevic, born in 1941, made his way np through the party apparatus via the running of a large enterprise in Belgrade. He was elected president of the Belgrade city League of Communists (LC) in 1984.

From there, he moved up to the central committee of the Serbian LC in 1985 and later to the presidium. In a bitter row with Mr Ivan Stambolic, a liberal and old colleague of Milosevic, he gained control of the Serbian party in late 1987.

Since then, he has cleaned out many of the republic's newspapers, ridding them of soft liberal political views. Some journalists now say that Milosevic is back-peddling somewhat on his anti-intellectual campaign, realising that support without professional journalists and intellectuals is a recipe for a coherent opposition.

His antboritarian political views are being further tempered by the impressive report drawn up by a cross-section of the economics community which form the Milosevic Commission. The report, unlike previous analysis, is succinct, well-written and a cogent presentation of the tasks and reforms facing the anthorities if they want to come out of the present crisis in any reasonable shape.

If there's anyone who might just be strong enough to push through unpopular economic measnres, which would mean reducing the power of the republics, it might be Milosevic. But alas, the individual republics do not relish a strong party leader whose power base is in Serbia. The last thing they want is to see the rise of an ambitious politician at the helm of a "greater" Serbia.

MENTION Milan Kucan to a Slovene, or for that matter to intellectuals in Croatia and Serbia, and they will render a eulogy.

Kucan is probably the eqnivalent of tha Hungary's Imre Pozsgay, who is anxious to push through economic, social and political reforms without reaching for the party's stick at every move.

What Kucan has tolerated and achieved in Slovenia is the envy of many liberal Yugoslavs. He has allowed the burgeoning of several radical bodies, from peace movements, greens organisations and movements for religious freedom, to Lilit (a women's club) and Magnus, the homosexual equality and extremely critical students' magazine. Kucan, however, seems unperturbed by such a pluralism of views. He once remarked that the existence of these views reflected a severe criticism of the party.

Born in 1941, he made his way up through the party by working for the Socialist Alliance of Working People (Sawp), the communist-backed broadly-based political movement. He was executive secretary of the Sawp in 1975, and after a stint in the republic's assembly became a member of the central committee and of the presidency of the League of Communists of Yugoslavia (LCY) in 1982.

Since 1986 he has been president of the Presidency of the Central Committee of the League of Communists of Slovenia: in other words, party leader. He seems reluctant to move farther afield. For him, Slovenia is worth strengthening and protecting against the more conservative party leaders in the other republics. But he is not afraid to speak out and criticise the other republics.

ANTE MARKOVIC can show that even an old partisan can have liberal views too. He was born in 1924, joined the partisans in 1941, and for the next 35 years worked in the Rade Koncar industrial works in Zagreb.

Fifteen of those years were actually spent as director of the large plant, where he built up enormous experience about how economies should be run.

For several years, Markovic has been pushing for market forces. Like his neighbour, Milan Kucan, be believes that the Yugoslav economy requires a decent dose of economic decentralisation and more private enterprises.

Within Croatia, be is called "a pragmatist when it comes to economic affairs, and somewhere between a pragmatist and a liberal when it comes to political affairs." He hasn't the support, for the moment, to create the kind of "socialist pluralism" favoured by Kucan, but his popularity in Croatia is high, and respect for him from otber republics is increasing.

His influence and stature led him to be chosen as prime minister of the Republic of Croatia from 1982-1986. That same year, he was elected a member of the central committee of the LCY. Although Markovic does not run the party organisation in Croatia, his presence has a considerable moderating influence.

More than 500,000 Yugoslavs work abroad

Growing jobless face life in black economy

IN 1967, when unemployment was far from the minds of any of the East European countries and hardly an issue in the West, a young Yugoslav student published what amounted to a sarcastic but perceptive article in Tribuna, a student's paper.

He wrote: "It is true, as Marx said, that unemployment is a proof that a society is incompetent, but this goes not only for the incompetence of a capitalist society . . . For the time being, we are forced to send our unemployed to work in precisely those states which do not recognise the right to work . . . We are sending them into capitalist slavery!

"Surprisingly, we all gain from that: the worker, who earns more than at home; society, because the unemployment pressure is reduced; and the state, because of the improvement in the balance of payments . . ."

This remark still rings true in Yugoslavia more than 20 years later. More than half a million Yugoslavs work abroad, but at home unemployment is increasing, graduates find it difficult to get a job, and bankrupt enterprises are being forced to lay off thousands of people.

The official unemployment figure is over 1.1m, of which over 800,000 are under the age of 30. Recent press reports stated that the figure could be much higher if the authorities had the political courage to close down enterprises that have little prospect of ever covering their debts. One report even suggested that 12.5 per cent of the Yugoslav workforce is "unnecessarily employed."

As is to be expected, unemployment varies from republic to republic. In the under-developed autonomous province of Kosovo, in the south, the rate is well over 40 per cent. In Slovenia, one of the more prosperous republics in the north, it hovers around 2 per cent; there, the unemployed manage to "moonlight" in the thriving black economy.

Unemployment ranges from 2 to 40 per cent

But those who have no chance to find shelter in the black economy have even less chance of receiving unemployment benefit. Under the present system, in spite of years of growing numbers of people without a job, no federal or uniform system exists in which the unemployed can at least have some cash benefits to carry them over until they find another job.

What happens then to them? If an enterprise goes bankrupt, the management and the workers' self-management councils can agree to give the redundant workforce a "minimum wage."

This is based on what similar enterprises in the region are paying their employees. It is also up to the management to decide how long such wages can be paid.

This, however, is not the norm. An article in Politika, the Serbian daily, pointed out that "a financial compensation during unemployment is given only to 3 per cent of the people who are jobless."

Those, for instance, who have never had a job – which includes thousands of graduates and school-leavers – receive no benefits whatsoever. Instead, like the thousands of workers who are now without jobs, they receive free health insurance, have access to free medical care; and the pension contributions, for those who have lost their jobs, are financed by the individual republics.

"The unemployed receive benefits of a different kind," one Yugoslav economist explains. "All the fringe benefits are paid, such as free medical and dental care, but the unemployed do not receive a regular cash payment."

Yugoslav economists admit that introducing an unemployment benefit scheme would place additional strain on the already fragile economy. Equally, they admit that the free-spending policies of the individual republics during the 1960s and 1970s have contributed to the growing unemployment.

During that time, the individual republics, rather than assess the market, built "prestige" industries, such as steel mills and refineries. Often, one republic simply duplicated schemes in others.

But the political intentions were clear for all to see. In return for expanding job opportunities and keeping the local small industries content, the party bosses in the republics built up important political power-bases.

The cost has been enormous for the economy. The large-scale investments cost huge sums of capital, besides adding to waste and inefficiency in cases where the infrastructure was incapable of sustaining or supporting these "prestige" projects. The Yugoslav authorities – and particularly the unemployed – are now bearing the brunt of these misguided policies.

However, two solutions could stem the unemployment problem. The whole concept of ownership and private plots could be revised.

At the moment, large-scale private enterprises are still shunned by the ideological guardians of self-management. The Republic of Slovenia has long favoured a more relaxed attitude towards expanding the private sector. It has also suggested increasing the size of the ludicrously small private plots of 10-12 hectares, which are permitted under the current law.

Any agreement to change, let alone actual change in the legislation, would take months if not years.

The unemployed, meanwhile, have little option but to live off the generosity of their families, to emigrate, or else work in the ever-increasing black economy. Whichever road they choose, the prospects are not bright.

Judy Dempsey

Self-management

System bogged down in bureaucracy

"THERE'S dogmatism by the party and the state bodies. There are too many people talking and not implementing the decisions. There's too many people who dabble in management when they know nothing about it. It's a mess . . ."

Such is the view of Mr Milun Tadic, a lively, outspoken official from the Minel company. His title says it all. He is the deputy chairman of the complex organisation of associated labour.

What he really has to do is keep the system of self-management ticking over. And under the present economic conditions, that means having enough money to pay the workers, making sure they don't go on strike, and keeping an eye on contracts with foreign companies.

Mr Tadic is critical of the system of self-management. "Not because it is a bad thing in itself. It isn't," he says, in a Serbian dialect that is highly colourful. "It's just that we are bogged down with bureaucracy and red tape.

"On top of it all, this economic crisis we are in doesn't really help the situation. We are told to practise self-management, but in reality we are not free to manage ourselves."

Minel is considered a successful Yugoslav company. It employs more than 13,000 people and has an annual turnover of \$250m. The company supplies equipment to the food and processing industry, as well as manufacturing equipment for bakeries, cold storage plants and batteries.

Hard currency sales account for 25 per cent of its turnover. But Mr Tadic feels that the company is hampered by two things: "We have no control over our own hard currency earnings, and second, we employ too many people."

If self-management really worked, then the workforce could actually have a say in how the hard currency earnings were invested in the company. But since the Government is hard-pressed for precious currency to repay the interest on its debts, Minel has to give to the state \$6 of every \$10 it earns.

"We can keep 40 per cent of our earnings, but even at that, we have to obtain the right to use this money if we want to import goods from other Western countries."

Restrictions of this kind have meant that Minel has found it difficult to meet some of its contracts. Since the company relies on importing certain components to manufacture its products, and since the endless bureaucracy and paperwork to grant the necessary hard currency takes ages, there are often delays in meeting the contract delivery dates on time.

"We either have to pay penalties or else come up with something like counter-trade," Mr Tadic says. His company has tried to get round the problem in the long term by opening a subsidiary company in Frankfurt; which means, in effect, that Minel can siphon off some of its foreign earnings into the company in West Germany rather than bring them back to Yugoslavia where they would be devoured by the state.

Mr Tadic knows that this weakens the principle of self-management. While the state continually professes the sanctity of the self-management system, it does not allow companies, particularly in the current economic crisis, to control their own financial destiny. Such is the price of living off foreign credit, says Mr Tadic philosophically.

But he is far from philosophical when it comes to running the company on a day-to-day level. Since it is split into 30 organisations of associated labour – in shorthand, branches – some of them are financially buoyant, while others are losing money. Mr Tadic reckons that in one of the branches at least 250 of the 1,000 employees could be made redundant.

"They are superfluous. They cost us over 3bn dinars a year in terms of salaries, pensions, social security and holidays. That's a lot of money. But we cannot make them redundant - not yet."

Under the Minel system, since the company as a whole is doing well, the more successful branches will use their profits – a word which is not used in the Yugoslav accounting system – to bail out the less profitable ones. Mr Tadic realises that this is a waste of resources, but the last thing he wants is a strike.

Crowds at the opening of McDonalds in central Belgrade

"The key thing is that we continue to pay our employees' wages. Sure, the other branches help the loss-making ones. But what's the alternative? A strike?"

Other companies cope differently. The self-management system at the Smederevo steel works, on the River Danube on the outskirts of Belgrade, took a decision last year in which self-management was suspended.

The company needed the freedom to restructure the company without the interference of bureaucracy, and a self-management system which puts wages and salaries far above investments, productivity and the long-term future. This, in effect, is what self-management means to most workers.

For the management, however, it is a highly bureaucratic system, in which decision-making is supposedly meant to work from the bottom up, but, which, over the years, has become bogged down in interference from the local communes, the equivalent of local councils.

The communes have an interest in keeping the enterprises open, because it is the enterprises that, to a large extent, finance the commune. Thus the manager is torn between meeting the workers' demands for higher wages in order to match the ever-rising inflation, and keeping costs down. The latter often means strikes. Under such conditions, self-management becomes a bureaucratic stranglehold.

There is one solution in sight. Assuming that the state will not abandon the principle of self-management, some managers now argue for strict demarcation lines between the actual management of the company and the shop-floor. This is what McDonalds, the American fast-food chain, has done.

Last March, McDonalds, under a joint venture arrangement with Genex, one of the largest Yugoslav trading companies, opened a branch in Belgrade, the first in an East European country.

After an initial problem, when 40 staff walked out, unable to take the pressure, it has proved to be a huge success. The staff is well-trained, well-paid, and works hard. There is a bonus scheme and prospects of promotion.

Mr Predrag Dostanic, the managing director, a laid-back Serb with a reputation for organisational and management skills, knows what he wants from McDonalds. "Hard work and profits," he says.

And what about self-management? Mr Dostanic shrugs his shoulders. "The management looks after the books, and the unions look after the workers. We meet regularly. But we know what role each of us has to play . . ."

Judy Dempsey

Workers at the ITM factory near Belgrade cast their votes for the election of self-managing bodies.

Industrial relations

Strikes threat for goverment

IT MUST have been quite a sight. On May 25, more than 400 Bosnian miners from the Djurdjevik mine in Zivnice, Central Yugoslavia, trooped into the parliament in Belgrade, donned their helmets and declared: "We want the money we earned."

After meeting Mr Zvonimir Hrabar, president of the Confederation of the Trade Unions of Yugoslavia, the miners marched across Marx and Engels Square in central Belgrade, carrying Yugoslav flags and a picture of the late President Tito whose enthusiastic borrowing led to many of the country's economic woes.

The miners had marched the 175km from their pits to Belgrade to protest against the new IMF-imposed economic policies of Mr Branko Mikulic, the Prime Minister. The demonstration suggests that Mr Mikulic's government will need more than a little luck in the coming months if it is to avoid a repetition of the wave of strikes that swept through Yugoslavia during the early months of 1987.

Those strikes were precipitated by wage cuts of up to 30 per cent, followed by a four-month wage freeze and the pegging of wages to productivity. This time, the economic measures are even tougher.

The aim is to reduce inflation to 90-95 per cent. Wages will be frozen, or raised only slightly, while the freeze on prices will be lifted.

The economic package also involves a relaxation of import controls, abolition of the ban on retention of foreign exchange earnings, and a curb on bank lending.

But workers are uninterested in these details. They want an income indexed to inflation.

Many managers and officials doubt whether the workers will accept the package. Strikes are in the air but, unlike last year, the federal government has very little to offer the workforce in the short term.

"Work stoppages" – the term the Yugoslav authorities still prefer to "strikes" – are not strictly legal, nor are they banned. They are tolerated.

Over the years, there have been many such stoppages, but generally short, half a day or so, and confined to local grievances and issues. But last year's 1,685 strikes, involving 288,000 people, or 4.3 per cent of those employed in the social sector, really shook the Government.

For one thing, they were on a national scale. For another, they lasted for several days in many of the enterprises. And, most important, the grievances were directed specifically against the Government's economic policies.

The authorities had little experience of dealing with this new strike profile, which clearly was more political in content than previous ones. The trade unions, which workers are expected to join, and which are under the umbrella of the Confederation of the Trade Unions of Yugoslavia, found themselves in a dilemma.

If they supported the strikes, then they risked the imminent closure of their enterprises, particularly if they were already making losses and if the management had no funds to pay the higher wages. But if the unions backed the authorities, they risked losing members.

Once again the unions face this dilemma. Recent Yugoslav press reports show that, over the past year, more than 500,000 workers have not paid their dues. The unions are losing revenue as well as credibility. Above all, the whole mechanism of industrial relations is being undermined.

In normal circumstances, the local party organisation, along with the trade unions, intervenes or negotiates with the enterprise over strikes. But last year's strikes revealed such interventions as ineffectual. Prime Minister Mikulic was forced to re-think part of his economic austerity policy.

This time, the omens do not look good. The miners are not alone in their grievances. In the same week that the miners marched on parliament, transport workers went on strike in Tuzla, in the Republic of Bosnia and Hercegovina; and more than 550 textile workers walked out of their enterprise. The demands are the same. No one wants wage reductions, or wages that remain static, as the price freeze is lifted off many items.

But all Mr Mikulic has to offer is the hope that the new economic measures will benefit the country in the long term. His powers of persuasion may be fully tested over the next couple of months as the measures hit home.

J.D.

Small bank take overs are being blocked by local power brokers

Banks still handicapped by political influence

WHEN IS a bank not a bank? Like so many of the country's institutions, banks in Yugoslavia do not qnite correspond to their Western counterparts.

For ona thing, they are owned and controlled by their depositors, be they enterprises or individuals.

In practice, it is the commercial depositors who wield influence over credit decisions. And given that most enterprises have a close, if informal, relationship with republican and local authorities, banks are no exception to the Yugoslav rule that business, despite its theoretical independence, falls under heavy (and often irresponsible) political influence.

The say of provincial politicians over credit decisions might be lessened if more big banks swallowed up smaller ones: for exactly that reason, it is widely alleged, local power-brokers often block such moves. Conveniently for the politicians, Yugoslav law (which allows subsidiaries to disown their parents) makes takeovers unattractive.

Allegations of an excessivaly cosy three-way relationship between enterprises, local banks and politicians were vividly highlighted by last year's Agrokommerc affair. The directors of a Bosnian food industry consortium employing 13,000 people were alleged to have issued $1bn worth of IOUs in the knowledge that they had insufficient assets to back them.

Apart from the effective collapse of the enterprise itself, the affair led to the closure of the local commercial bank, the detention of a former governor of Bosnia's national bank, and the weakening of one of Bosnia's political factions.

Some 25 people went on trial in connection with the Agrokommerc case last month, eight of them charged with "counter-revolutionary undermining of the economic system", which in theory carries the death penalty. Among the accused are the brother and nephew of late Yugoslav vice president, Hamdija Pozderac, who was forced to resign over the affair.

The structure of banks in post-war Yugoslavia was carefully devised by Marxist theoreticians, but practice has fallen far short of theory. Hence banks are a prima target in the current debate over constitntional reforms that would bring Yugoslavia closer to a market economy.

Reformers feel that banks, true to Yugoslav form, are both too regulated (at the level of the repnblics, where powerful regional interests bold sway), and not regulated enough (at federal level). So they want to boost the Yugoslav National (ie central) Bank (YNB) at the expense of the "national" or central banks of the republics.

"At tha moment," complains Mr Branko Miljevic, president of the Association of Belgrade Banks, "the central bank is just a department of the Ministry of Finance."

Advocates of reform want the YNB Governor and his board to be appointed by and answerable to the Federal Assembly. Republican national banks would be subordinated to tbe YNB, which would have a clearly-defined role as guarantor of the nation's liquidity.

At the moment, eight of the nine seats on the board of the YNB are occupied, ex officio, by the governors of the republican national banks.

The Agrokomerc headquarters in Velika Kladusa, Bosnia

Economists in Serbia, in the vanguard of moves towards a market economy, want banks to be allowed to finance themselves by issuing shares and bonds. That does not sound very socialist: bnt if shareholders (as opposed to depositors) were given a real say in management, it could pava the way for bank executives to practise their profession in a way Westerners could recognise.

A bizarre aspect of the Yugoslav system is that virtually all financial transactions are not merely supervised but actually execnted by a single official agency, the Social Accounting Service (SDK), a 50,000-strong bureaucracy whose tentacles stretch into every corner of the economy.

> **'The central bank is just a department of the Finance Ministry'**

For many Yugoslavs, the Agrokommerc affair made a mockery of the SDK's role as guarantor of financial probity. Because of Yugoslavia's decentralisation, the federal SDK was unable to intervene until eventually invited to do so by the *SDK of Bosnia*, which was inevitably subject to local pressures.

Reformers want the execution of financial transfers to be left to the banks, with the SDK left to do an (effective) job as auditor. But that proposal may prove controversial, and in any case banks would need several years to take over the extra paperwork.

Another banking reform under discussion is the creation of specialist savings banks. This might give savers a better service, but in the meantime lt is hard to see how the commercial banks could do without individual savers' deposits.

The unusual structure of Yugoslav banks has not prevented the emergence within them of a managerial class with managerial ideas.

At the Associated Bank of Vojvodino, a rich, multilingual province in the north, the managing director Mrs Slobodanka Berisavljavic and ber fellow executives are fervent advocates of a market economy. They speak of the need for a "flexible capital market and a flexible labour market" because, "at the moment, investment does not flow into poor areas."

Bank executives such as Mrs Berisavljevic have had the sensitive task in recent months of eking out a dwindling amount of foreign exchange among their customers.

Inevitably, some firms with a real need for hard currency to pay for raw materials have gone short. Or, like Pobeda, a local maker of ligbt machinery and machine tools, they make barter deals, paying for raw materials with finished products.

In theory this situation should be transformed as currency hecomes available under the IMF-sponsored liberalisation programme. Enterprises will simply present their bills from foreign suppliers to their local commercial bank, which will provide the necessary currency.

But the IMF plan also calls for very restrictive monetary policies, and the dinar has been devalued by 24 per cent: so there are worries as to whether enterprises will have enough dinars to pay for the newly-available foreign exchange.

If the dinar falls too fast, and the supply of dinars is too restricted, there could be a recession as potential exporters are unable to afford raw materials: but if the dinar's valne does not fall sufficiently, the recent upturnin external balances could be wrecked by a flood of imports.

The recent, IMF-inspired switch to interest rates well above the inflation rate marks the culmination of a long process.

A decade ago interest rates were absurdly low. Witb little incentive to save and no outlet for productive Investment, the sensible thing for ricb Yugoslavs was to borrow heavily and build houses.

Interest rates have been guided sbarply upwards by tbe two-year-old government of Mr Branko Mikulic, but depositors have suffered real-terms losses during his term of office.

With tbe dinar in steady decline, the proportion of savings that are kept in foreign exchange has correspondingly risen: it may currently be as high as 80 per cent.

Savers have placed some $11bn worth of hard currency with the Yugoslav banking system on a no-questions-asked basis.

It may be that the IMF plan, which calls for interest rates to be set in excess of current ratber than past inflation, will restore confidence in dinar deposits. But that is a big maybe.

Bruce Clark

Agriculture

Differences on farm size

ONE OF the controversial draft amendments to the Yugoslav constitution has been tbat to raise the ceiling on tbe size of privately-owned farms.

At present tba ceiling is 10 bectares (24.7 acrea); more in hilly and mountainous regions. Proposals to increase that ceiling have attracted support, but setting the new one has exposed differences.

Vojvodina's Minister of Agriculture, Mr Jozsef Horvat, wants the maximum to be set at 15 hectares. Others dismiss the question of size as a red berring, insisting that relatively high incomes (thosa of indnstrial workers being tbe yardstick) can be obtained from plots of less than a bectare, through tha labour-intensive production of vegetables, flowers, seeds, and other crops, especially near the cities.

Yugoslavia's private farmers own nearly 83 per cent of the arable land, or 8.15m of a total of 9.84m hectares. The 2.6m private farms and 2,700 self-managed agricultural estates usually consist of seven or so small plots – too small for effective mechanisation. Wheat yield per hectare is about 3 tonnes, and maize about four.

The average size of the agricultural estates (kombinats) is 630 bectares, and their wheat and maize yields are 60 to 70 per cent higher than on private farms; bnt, with less than 10 bectares per worker and high production costs, many of them have been merely breaking even or running at a loss.

Both private farms and kombinats have been well, even over-equipped, with farm machinery. Private farms are certainly over-mechanised, with one tractor for less than 10 hectares: kombinats and otber self-mansged farms average one tractor for 53 hectares.

The use of fertilisers, berbicides and pesticides has heen been kept down to 125kg of fertiliser per hectare.

In theory, the state guarantees prices for basic farm products. In practice, bowever, huyers can exploit their monopolies on given territories, to avoid paying the full guaranteed price.

Trade in basic farm products such as grains, sugar beet, oil-seeds and some others, has not developed. They do not, and some cannot, cross regional boundaries. Guaranteed prices are not high enough to cover the cost of fertilisers or chemicals, exacerbating the problem of low yields and bigh production costs. On the other hand, the Government is reluctant to raise prices, because of the low wages of urban workers.

Yugoslav agriculture could produce more – enough to feed four times the population of more than 23m, as well as to increase exports, according to private estimates.

The Government is not sbort of ideas for reform, but does little or nothing. Funds will have to be found for investments such as irrigation projects in Vojvodina, the bread-basket of the country, which could annually supply two harvests and considerably higher yields.

Because of the perennial shortage of investment funds, joint ventures in agriculture have been very welcome.

Potential foreign investors bave sbown interest in joint ventures in agriculture, but are discouraged by the investment climate in Yngoslavia, its legislation, and the general economic situation.

Forthcoming changes in the constitution and legislation, aimed at facilitating direct foreign investment and stabilising the economy, may well lead to the "discovery" of Yugoslav agriculture as a viahle investment. . . And pigs may fly.

Aleksandar Lebl

Wine production

Selling on higher quality

THE YUGOSLAV wine industry began about 4,000 years ago with the cultivation of vines in what is today Yugoslavia, long before the southern Slavs arrived.

Except for a 500-year pause during tbe period of Ottoman rule, and the shorter pause during the second world war wben the vineyards were annihilated, the industry has gone from strength to strength.

Although the area under cultivation has been falling, because of lahonr shortages in some areas, including tbe Adriatic islands, production has remained fairly constant at between 6m and 8m hectolitres. Last year 6,084,600hl was produced.

Today, Yugoslavia is the 10th largest wine exporter in the world, supplying one in four bottles imported into tbe EEC, exporting about 20 per cent of its *production (more than France,* a little less than Italy), volumes having doubled in 15 years and value having increased about seven times because of the shift to bottled wines.

However, Yugoslavia's wine is finding new markets. Not long ago more than 50 per cent went to Eastern Europe; now two thirds goes to the West. West Germany is tba main market: more than 42 per cent of its wine imports are from Yugoslavia.

Yugoslav wine exporters are well aware that, in view of its rising wine lake, tbe EC is unlikely to increase its imports. So they have been concentrating on higher-quality wines, of which they hope to export 1.5m hl a year, half of it bottled, and at least to double the value to $100m or more.

The estahlishment in Slovenia of the Wine Institute, and the introduction since tbe 1939-45 War of West Enropean grape varieties, has done mucb to improve technology and boost quality, helping importers to sbake off the "supermarket plonk" image.

The main wine-producing regions are Slovenia, Slovania, *Croatia, Dalmatia, Bosnia-Herzegovina*, Serbia and Macedonia.

Slovenia, with a lime and marl soil, produces quality German and Italian-style wines from grape varieties that include Silvaner, Traminer, Muller-Thurgau and Walschriesling.

Slovenia produces average-quality whites, and Vojvodina specialises in high-quality Plemenka from tbe Bouvier grape. Croatia's Istrian Peninsula produces strong, well balanced reds from Pinot Noir, Kabernet, Merlot and Gamay, and dessert wines from the Malvasia and Muscat grapes.

Yugoslavia's vineyards cover about 250,000 bectares, but more than half tbe total ontput comes from the 150,000 bectares of vineyards in Kosmet and Macedonia. This is the bome of the Amselfelder Spatbugunder, made from the Pinot Noir vines planted only 15 years ago, and, at 250,000 hl a year (sold mainly in West Germany), the best seller.

The Lutomer Riesling comes second witb 100,000 hl. Of the bottled table wines, Avia sold 25,000 hl a year in the US, and the Zilavka 10,000 hl in West Germany.

The better-qnality wines are rarer. Maximum prodnction of Dingac, a Dalmation red, is 2,000 hl, half of it for export. Output of Vranac, a superb red from Montenegro, never exceeds 20,000 hl, of which 5000 hl is exported.

Most of the wine is made in co-operatives; most of the vineyards are privately owned. Advertising, marketing and promotion appear to be left to the importers and tbe occasional tourist, according to Damjan Bulum, manager of the Yugoslav Producers Association, whicb includes producers from tbe various wine regions.

He considers that not enough has been done to acquaint potential buyers with Yugoslav wines. Publicity, be says, has come mostly *through individuals* who taste local wines on visits to Yugoslavia or from foreign firms dealing in Yugoslav wines, like Teltscber Bros, Lutomer House in the UK, or Racke in West Germany.

The packaging industries – glass, graphics and cardboard – have been slow to adapt to the needs of Yugoslavia's wine exporters, but are starting to catch up and are improving the quality of their output.

So, with the help of a competent advertising agency, even more Yugoslav wines will flow abroad and more foreign exchange will flow into the country.

A.L.

Modernising the road and rail networks has become a priority

Transport given more cash

EXPANDING and modernising the rail and road network has long been identified as a priority for the economic development of Yugoslavia. But progress has been held back by lack of funds, although serious efforts have been made recently to speed it up by allocating more money from sources at home and by borrowing abroad.

The Federal Government sees little need to extend the rail network, and seems bent on a Beeching-style exercise with the closure of several lines and stations to cut costs. The handling of freight would be concentrated in fewer centres.

Not surprisingly, local interests are resisting the plan. They can use only political pressure, as they have no funds to subsidise unprofitable lines or stations.

Railway modernisation is long overdue. Average train speeds are extremely low by West European standards. Thus the main objective is to reconstruct and modernise railways for higher speeds: for example, 100 mph across the 250-mile plain between Belgrade and Zagreb. This would win back former passengers who now drive or fly, and also some freight.

Construction of a new line over the 80 or so miles between Zagreb and the port of Rijeka has also been planned for a long time, but the site is difficult. The present line, built more than a century ago, winds through the mountains, and its capacity is inadequate.

The future growth of Rijeka, especially as a transit port for Austria, Hungary and beyond, depends on good rail (and road) links with the hinterland. Whether the Zagreb-Rijeka line will ever be built, some argue, is uncertain.

There have even been suggestions that it would be better to have a high-capacity motorway. At present, there is no money for either.

A few more lines could be also added, such as the Tuzla-Zvornik link between western Bosnia and eastern Serbia, as part of a trunk line parallel to the Belgrade-Zabgreb line. Dubrovnik would like to be re-connected to the national rail network. It used to have a link, before and immediately after the 1939-45 War, albeit by a narrow-gauge line which was scrapped, much to the sorrow of nostalgic Yugoslavs and foreigners who enjoyed riding on it but on short stretches.

Plans to link Yugoslav and Albanian railways in Macedonia have been dropped for the foreseeable future, especially since the line through Montenegro linking Albania with the European network became idle, only a fraction of its capacity being used.

In addition to modernising lines, the rolling stock needs to be expanded and modernised. Yugoslavia has been manufacturing and exporting freight and passenger cars, signalling and other equipment for many years, as well as manufacturing engines. But Yugoslav railways have simply never had enough money to order and pay for what they needed.

Railways have been subsidised in many countries, but not in Yugoslavia. In addition, passenger and freight rates have been under government control.

It may be said that railways subsidise the rest of the economy, which in turn have to cover their losses. Small wonder that railways cannot keep pace either with the needs of either the Yugoslav economy or of transit, which threatens to avoid Yugoslavia. The quality of service is poor, with slow deliveries even of perishables. Accidents have been frequent due also to low wages.

The Government recognises the need to act quickly and thoroughly: to increase freight rates, to rationalise the railways, and to find funds for their modernisation. It has negotiated loans from the World Bank and the European Investment Bank, but not nearly enough to satisfy even the most urgent needs.

An expansion of the road network is imperative, although shortage of funds makes maintenance of existing roads a struggle.

The Federal Government has decided, with the agreement of all republics, to give top priority to the construction, started decades ago, of the "brotherhood-unity" motorway from Austria to Greece, only less than a half of which has been finished. It plans to have the motorway, including the joint Austrian-Yugoslav tunnel under the Karavanke mountain, ready for use by 1994.

The President of Croatia, Mr Ante Markovic, has discussed this with some German groups, but the plan would require changes in the Yugoslav constitution and feasibility studies.

Accelerated road construction would give welcome relief to Yugoslav construction firms, which are suffering from a reduction in activity.

Improvements in telecommunications are also urgently needed in Yugoslavia, to satisfy not only the growing demands of its own economy but also of the foreign business community and tourism.

Much has been done no doubt, but much remains to be done. Again, the money has to be found. If it is not, far more will be lost.

Aleksandar Lebl

Health services

Hospitals face major shortages

YUGOSLAVIA'S social services are coming under so much strain from the continuing economic crisis that hospitals face serious medical shortages, and even the inability to pay for much-needed equipment.

The difficulties facing the health system were highlighted last year, when the press reported that hospitals in Belgrade were supplied with only half the registered 970 drugs. So great was public criticism that the government ordered the banks last July to earmark more than $135m for the import of medical supplies.

The problems have persisted, however. Earlier this year, the Yugoslavs were faced with even more shortages. Basic food and milk supplies for new-born babies in Belgrade were simply not available. Although nurses and doctors in the hospitals try to cope, they recognise that there is "not enough money to go around."

"The cake is becoming smaller. We are under pressure, and often we have to make do with what we have," says a doctor attached to a large Belgrade hospital.

The health service, which is run by the state and is free, is financed partly through the federal budget and partly by the individual republics through the system of health insurance contributions.

Until the late 1970s, there were few difficulties in equipping the hospitals, particularly those in Belgrade and in the northern and more prosperous republics of Croatia and Slovenia. But the economic squeeze on cutting back imports and capital investments has meant that the health services have had to battle hard for resources.

They have not been that successful. By the end of the 1970s, over 6 per cent of the federal budget was allocated to the health system. By 1987 that figure had dropped to 4 per cent.

In the Republic of Serbia, financing the health service is running into problems. The health insurance system is running at an 80bn dinar deficit.

Mr Moncilo Lahudovic, who looks after the insurance scheme for Serbia, says the republic is trying to cut back on the administration and what he calls "superfluous staff."

"We can obtain loans and pull some money from our reserves to deal with the deficit," he says. But on the ground, it is clear that funds are being distributed in an uneven way.

The health service in the under-developed regions, such as the autonomous province of Kosovo, which is constitutionally linked to the Republic of Serbia, has been much harder hit by the economic crisis. Doctors have few intentions of remaining in Kosovo, or even agreeing to be sent there. The resources are too few and the equipment too old.

Recent infant mortality statistics reflect the regional differentiation of the health service. Dr Brank Copek, president of the Federal Institute for Public Health, in a recent interview, reported that infant mortality in Kosovo was 55.2 per 1,000, but less than 12.3 in the northern autonomous province of Vojvodina. The average national infant mortality rate is 26.8 per 1,000.

The distribution of doctors throughout the country does not help matters. While Serbia can boast one doctor to every 675 citizens, people living in Kosovo have to make do with one doctor for 1,216.

"It is not that there is a shortage of doctors. In fact, there are too many. We have more than 42,000 doctors here, and the 14 medical schools turn out over 2,500 new doctors a year. Doctors are even unemployed," says one surgeon in Belgrade.

"It's just that too many are running after jobs in the better hospitals. And if they don't get them, they either emigrate or else become unemployed."

"The big training hospitals get precedence over everybody else."

It also means that the larger hospitals can lobby more effectively for funds unlike those in Kosovo.

In the north, in some of the hospitals in Belgrade, the federal capital and the capital of Serbia, the situation is better. The impressive new University Medical Clinic is well protected by the central authorities. It contains the best equipment, most of which is imported from West Germany.

It also employs some of the country's best doctors, who are anxious to work in a hospital that is well-equipped and has good working conditions. In the clinic, doctors are paid much more than the average monthly income of doctors in the provincial hospitals.

The Republic of Serbia also makes sure this hospital is well stocked with drugs and has well-trained staff. The clinic cost over 10bn dinars to build, and $20m to equip. It receives its funds from the Federal Government as well as from the Republic of Serbia. Over 50 per cent of it's resources comes from the Serbian taxpayer.

But this hospital is one of the more fortunate ones. The staff, however, recognise that people outside the Republic of Serbia are now trying to have treatment there rather than in their own local clinics.

Doctors see little hope for improving the health service throughout the whole of Yugoslavia in the present economic climate. The tacit policy seems to be to pour resources into the new military hospital in Zagreb and maintain standards at the Belgrade Clinic.

But in the longer term, sections of the medical profession are worried that, if the economic crisis continues, the health service will be put under even more pressure. In that case, the less-developed regions of Yugoslavia will suffer even further.

The Republic of Slovenia has proposed introducing health care laws which would envisage doctors working both in the state-run hospital and in the private sector, or even private doctors "renting" hospital facilities from the state. But this is only at the discussion stage.

Judy Dempsey

Tourism

Head for the coast, and the magic of Dubrovnik

SPEND A week or so in Belgrade, and you will find yourself gasping for the coast.

If you have any talent as an explorer (or better, some friendly local advice), you will by then have seen past the dreary socialist buildings and felt some tingling intimations of history: a woman in black dusting the iconostasis of an Orthodox church; a whiff of faded Balkan romance at a well-hidden restaurant or club; a snatch of a Serbian song at a late-night bar.

But the dirt, the driving, and a telephone system that can add years to your life, will be wearing you out, just as they wear out the underpaid people who serve you in shabby shops and hotels.

Getting away may be difficult, but it will be worth it. At the offices of Putnik, the socialist-sector travel agency, there is a prominent sign spelling out the staff's entitlement to a *pauza* or tea-break for two half-hour periods per morning.

"Could you come back in half an hour? I must have my breakfast," said a Putnik assistant one mid-day. Never mind that this was not a stated *pauza* time: "The system is different on Saturday . . . and don't you have breakfast?"

She did produce an air ticket, after a little altercation, and disarmed with a smile. "I did my best for you, although I was angry."

The flight will probably be very cheap, late, and not especially comfortable. The daily Vecernje Novosti was not exaggerating when it accused the national airline JAT of poor timing, disorder, and abrupt cancelations. But one would endure far more than JAT for a glimpse of Dubrovnik.

A proud medieval city-state, sublimely unaware of whatever crises may be wracking the rest of Yugoslavia, it belongs with Salamanca and Krakow in the front rank of Catholic Europe's glories. With its honey-coloured churches, patrician houses, and balmy sea air, it is a dreamy, sensual, magical place.

Development on the Adriatic has proceeded apace since the coastal road was built in the 1960s, and yet it is remarkably unspoilt.

The pines and azure sea are as lovely as the French Riviera

The landscape of pines, cypresses and azure sea is as lovely as the French Riviera, but the water is much cleaner and the food can be almost as good. Apartment blocks, villas and hotels blend happily into the mountainside, thanks to the traditional red tiles which are used for roofing.

While tourism in the northern Adriatic is dominated by Germans who drive their own cars, often enticed by Yugoslavia's tolerance of nudism, visitors to Dubrovnik generally arrive from northern Europe, especially Britain, in package groups. In mid-summer, the city is packed, and yes, the authorities admit, there is overbooking.

But in May, the young people who strut down the main street of old Dubrovnik are locals: as worldly in sartorial and musical taste as the Italians across the water, and full of infectious happiness.

The speech of these quintessential Mediterraneans may be Slav, but in spirit they are closer to Capri or Alicante or Antibes than the steppes. They are a delight.

An economic system that works badly elsewhere seems to work well in Dubrovnik. The consortium controlling the city's excellent hotels (the Belvedere, the Excelsior and the Argentina, plus 500 rooms in private houses and a growing empire of holiday apartments) is a socialist co-operative, with a close, unwritten link to the town hall.

The same goes for Atlas Tours, formerly the Dubrovnik branch of Putnik and now a flourishing, professional travel agency with branches all over Yugoslavia, and one in New York.

It may simply be that you cannot keep an 800-year civic culture down.

For inland regions, which lack Dubrovnik's tourist tradition and have built some truly awful large hotels, the best hope may be to encourage the letting of private rooms.

In the lakeside town of Ohrid, seat of a 10th century empire and a treasure-house of Byzantine iconography and architecture, local authorities are promoting exactly that. For travellers whose main interest is in history or art (and they will find Yugoslavia a feast), some monasteries are offering simple, clean rooms.

The newly-created Tourism Secretariat, in Belgrade, reckons that about 9m foreigners visited Yugoslavia last year: officially they contributed $1.6bn to the hard-pressed exchequer, and in practice probably spent twice as much.

There is still enormous scope for expansion, without necessarily causing aesthetic ruin. For the yachtsman and woman, the water-skier, the sybarite, Yugoslavia's 700 islands are an under-exploited paradise. Developing them is one of the Secretariat's priorities.

But the most dramatic development in Yugoslav tourism was entirely unplanned, it seems, by any earthly power.

From Ireland, Italy, south Germany, Austria, and North America, Catholics are arriving by the coachload at a tiny Croatian village, Medjugorje, where a group of young residents say they have had daily visions of the Virgin Mary since 1981.

The Secretariat describes the phenomenon as a welcome windfall. "Yugoslavia is tolerant of every faith, be it Catholic, Orthodox or Moslem, and visiting Medjugorje should dispel any prejudice to the contrary," an official says.

Medjugorje's local priest, who was jailed for 18 months after announcing the visions, might be forgiven if he entertained such prejudice. But to judge by the rows of coaches parked outside the village church, Yugoslavia's large socialist-sector tour companies have no inhibitions about cashing in on the pilgrims: nor do the cheery Bosnian Moslems who line the road selling Medjugorje cowboy hats.

On a more wordly note, the coast will offer rich pickings for developers if Yugoslavia implements plans to give a real say in management to the foreign partners in joint ventures.

The quality of Yugoslav labour is comparable with Spain or Greece, but costs a third as much. The islands would be perfect for the kind of mass frolic, with barbecue, wine and flirtation, that "holiday Britons" appreciate.

But there is a cautionary tale. Mr Robin Walker, a British businessman, was retained last year as a tourist consultant by the town hall of Kotor, on the south coast.

In September, he left for a brief foreign trip, optimistic that the Kotor authorities, and three investors with whom he was in contact, would soon sign a contract for a $50m complex.

On his return, he was arrested, jailed, and after two months charged with "robbery" (which can mean 15 years in jail) for not paying his hotel bill. At his trial, the Kotor town authorities said they had nothing to do with him.

The judge found that the Kotor officials were lying, and acquitted Mr Walker. The prosecution has appealed against the verdict, and the case may still be reopened.

Mr Walker maintains that the town hall turned against him because he threatened local interests by criticising the existing Kotor hotel. He is as committed as ever to tourist development in Yugoslavia.

The moral, says Mr Walker's lawyer, Mr Aleksandar Lojpur, is that investors should use a Yugoslav consultant who understands local political pressures. And they should probably find partners at a higher level than the town hall.

Bruce Clark

Above: rooftops in old Dubrovnik with its honey-coloured churches and patrician houses. Below: A Franciscan takes confession and blesses a peasant under a tree at Medjugorje, where villagers say they have had daily visions of the Virgin Mary